

OFFICIAL STATEMENT DATED MAY 7, 2008

\$26,810,000

City of Keizer, Oregon
Assessment Full Faith and Credit Bonds, Series 2008
(Keizer Station Area A Local Improvement District)

DATED: the Date of Delivery (May 21, 2008)

DUE: June 1, 2031 as shown below

MOODY'S RATING - A3.

NOT BANK QUALIFIED—The City of Keizer, Oregon (the "City") has not designated the Assessment Full Faith and Credit Bonds, Series 2008 (Keizer Station Area A Local Improvement District) (the "2008 Bonds") as "qualified tax-exempt obligations" for purposes of Section 265(b)(3)(B) of the Internal Revenue Code of 1986, as amended (the "Code").

BOOK ENTRY ONLY—The 2008 Bonds will be issued as fully registered bonds under a book-entry only system, registered in the name of Cede & Co., as bond owner and nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as initial securities depository for the 2008 Bonds. Individual purchases of the 2008 Bonds will be made in book-entry form, in the denomination of \$5,000 or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the 2008 Bonds purchased.

PRINCIPAL AND INTEREST PAYMENTS—Interest on the 2008 Bonds will be paid on December 1, 2008 and semiannually thereafter on June 1 and December 1 of each year to the maturity or earlier redemption of the 2008 Bonds. Principal will be paid upon maturity on June 1, 2031.

The principal of and interest on the 2008 Bonds will be payable by the City's Paying Agent, currently U.S. Bank National Association, Portland, Oregon to DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the persons in whose names such Bonds are registered ("Owners"). Principal of and interest on the 2008 Bonds will be payable to the Owners at the address appearing upon the registration books on the 15th day of the month preceding a payment date.

MATURITY

\$26,810,000 5.20% 2008 Bonds due June 1, 2031 @ 5.20% Yield; CUSIP No. 487595 AQ3

REDEMPTION—The 2008 Bonds are subject to redemption prior to their stated maturities. See "REDEMPTION FEATURES" and "ESTIMATED AMOUNT REDEEMED" herein.

PURPOSE—Proceeds of the 2008 Bonds will be used to finance or refinance improvements within Area A, the Village Center, of the Keizer Station Local Improvement District (the "LID") that were financed on an interim basis with bank lines of credit and for which benefited property owners have submitted contracts to pay assessments in installments (the "Project"). Improvements include transportation infrastructure, sanitary sewer systems, storm drain systems, and water supply and distribution systems, among others (the "Improvements"). Proceeds may also be used to fund a debt service reserve account and pay the costs of issuance of the 2008 Bonds.

SECURITY—The City has pledged its full faith and credit to pay the 2008 Bonds, and agreed to pay the 2008 Bonds from any of its legally available funds. The 2008 Bonds are also secured by a pledge of the Assessment Payments (defined herein) and other amounts to be deposited in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account (defined herein). The City shall pay the 2008 Bonds from any of its lawfully available funds to the extent that amounts in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account are not sufficient to pay the 2008 Bonds. The 2008 Bonds do not constitute a debt or indebtedness of Marion County, the State of Oregon or any of its political subdivisions other than the City. Further, **the 2008 Bonds are not unlimited tax general obligations of the City.**

TAX STATUS—*In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel to the City ("Bond Counsel"), assuming compliance with certain covenants of the City, interest on the 2008 Bonds is excludable from gross income for federal income tax purposes under existing law. Interest on the 2008 Bonds is not an item of tax preference for purposes of either individual or corporate alternative minimum tax. Interest on the 2008 Bonds may be indirectly subject to corporate alternative minimum tax and certain other taxes imposed on certain corporations. See "TAX MATTERS" herein for a discussion of the opinion of Bond Counsel. In the opinion of Bond Counsel, interest on the 2008 Bonds is exempt from Oregon personal income tax under existing law.*

DELIVERY—The 2008 Bonds are offered for sale to the original purchaser subject to the final approving legal opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon ("Bond Counsel"). It is expected that the 2008 Bonds will be available for delivery to the Paying Agent for Fast Automated Securities Transfer on behalf of DTC on or about May 21, 2008 (the "Date of Delivery").

This cover page contains certain information for quick reference only. It is not a summary of the issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

D.A. DAVIDSON & CO.

City of Keizer, Oregon
930 Chemawa Road NE
Keizer, Oregon 97303
(503) 390-3700

City Council

Lore Christopher
Cathy Clark
David McKane
Jacque Moir
Brandon Smith
Jim Taylor
Richard Walsh

Mayor
Councilor
Councilor
Councilor
Councilor
Councilor
Councilor

Appointed Officials

Chris Eppley
Susan Gahlsdorf
Nate Brown

City Manager
Finance Director
Community Development Director

Bond Counsel

Kirkpatrick & Lockhart Preston Gates Ellis LLP
Portland, Oregon
(503) 228-3200

Financial Advisor

Seattle-Northwest Securities Corporation
Portland, Oregon
(503) 275-8300

Paying Agent

U.S. Bank National Association
Portland, Oregon
(503) 275-5659

This Official Statement does not constitute an offer to sell the 2008 Bonds in any jurisdiction in which or to a person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the City, Seattle-Northwest Securities Corporation (the "Financial Advisor") or D. A. Davidson & Co. (the "Underwriter") to give any information or to make any representations, other than those contained herein, in connection with the offering of the 2008 Bonds and, if given or made, such information or representations must not be relied upon. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create an implication that there has been no change in the affairs of the City since the date hereof.

The CUSIP number is included on the cover page for convenience of the holders and potential holders of the 2008 Bonds. No assurance can be given that the CUSIP number for the 2008 Bonds will remain the same after the date of issuance and delivery of the 2008 Bonds.

The information set forth herein has been obtained from the City and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, warranty or guarantee by the Underwriter. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact. The information contained herein should not be construed as representing all conditions affecting the City or the 2008 Bonds. Additional information may be obtained from the City.

Certain statements contained in this Official Statement do not reflect historical facts, but are forecasts and "forward-looking statements." No assurance can be given that the future results discussed herein will be achieved, and actual results may differ materially from the forecasts described herein. In this respect, words such as "estimated," "projected," "anticipate," "expect," "intend," "plan," "believe" and similar expressions are intended to identify forward-looking statements. All projections, assumptions and other forward-looking statements are expressly qualified in their entirety by the cautionary statements set forth in this Official Statement.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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APPENDIX E:	Form of the Declaration

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OFFICIAL STATEMENT

\$26,810,000

City of Keizer, Oregon

Assessment Full Faith and Credit Bonds, Series 2008 (Keizer Station Area A Local Improvement District)

The City of Keizer, Oregon (the "City"), a political subdivision duly organized and existing under and by virtue of the laws of the State of Oregon (the "State"), furnishes this Official Statement in connection with the offering of \$26,810,000 principal amount of Assessment Full Faith and Credit Bonds, Series 2008 (Keizer Station Area A Local Improvement District) (the "2008 Bonds"), dated the Date of Delivery. This Official Statement, which includes the cover page and appendices, provides information concerning the City, the Keizer Station Area A ("Area A") Local Improvement District (the "LID") and the 2008 Bonds.

Description of the 2008 Bonds

Principal Amount, Date, Interest Rates and Maturity

The 2008 Bonds will be issued in the aggregate principal amount of \$26,810,000 and will be dated and bear interest from the Date of Delivery. The 2008 Bonds will mature on the date and in the principal amount and will bear interest, payable semiannually, until the maturity or earlier redemption of the 2008 Bonds as set forth on the cover of this Official Statement.

Interest on the 2008 Bonds will be computed on the basis of a 360-day year consisting of twelve 30-day months.

Redemption Features

Redemption from Amounts in the 2008 Bond Debt Service Account ("Assessment Call"). The 2008 Bonds are subject to redemption at the option of the City on any interest payment date beginning June 1, 2009 at a price of par plus interest accrued to the date fixed for redemption, but solely from amounts the City is required to deposit into the 2008 Bond Debt Service Account (the "2008 Bond Debt Service Account") of the City's Keizer Station LID Fund (the "Keizer Station LID Fund"); any such redemption will be by lot in a manner selected by The Depository Trust Company ("DTC"), New York, New York.

Funds available to effect the Assessment Call include:

- (1) installment payments of assessments imposed by the City for the Improvements (as defined below) (the "Assessment Payments") that are received by the City;
- (2) earnings on the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account;
- (3) proceeds of foreclosing assessments; and
- (4) transfers of amounts in the 2008 Bond Reserve Account that are required by the Declaration.

Scheduled Debt Service and Projected Debt Service

The Bonds are structured as a single term bond that is due on June 1, 2031 in a principal amount of \$26,810,000. The Bonds are not subject to mandatory redemption, and the City is not legally required to pay anything but interest on the Bonds prior to June 1, 2031. If the City did not redeem any Bond principal before June 1, 2031, scheduled annual interest payments would be \$1,394,120. However, the City is required to deposit the Assessment Payments and earnings on the 2008 Bond Reserve Account into the 2008 Bond Debt Service Account; the City is also required to use amounts in the 2008 Bond Debt Service Account only to pay and redeem Bonds and to pay any costs of managing and collecting the Assessment Payments and administering and paying the 2008 Bonds. The City therefore expects to use Assessment Calls to redeem Bonds every six months, starting June 1, 2009, using available amounts in the 2008 Bond Debt Service Account.

The following table projects the debt service that the City would pay on the Bonds under the following assumptions: (a) the Assessment Payments are paid in full when due; (b) Assessment Payments are not prepaid (even though property owners have the right to prepay the Assessment Payments without penalty and property owners in Oregon often prepay assessments for local improvements); (c) the amounts projected to be available in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account, are applied to make scheduled interest payments and the remainder is used to make Assessment Calls semiannually. The principal amount of the 2008 Bonds to be redeemed are estimates only, and are based solely on the assumptions listed above. The amount and timing of the Assessment Payments and the interest earnings that the City receives are likely to be different from the projections; those differences will change the actual debt service payments on the Bonds and the amount of the Assessment Calls, perhaps substantially.

Projected Debt Service

Date	Principal	Interest
12/1/2008	\$ 0	\$ 735,786
6/1/2009	830,000	697,060
12/1/2009	460,000	675,480
6/1/2010	465,000	663,520
12/1/2010	485,000	651,430
6/1/2011	495,000	638,820
12/1/2011	505,000	625,950
6/1/2012	520,000	612,820
12/1/2012	535,000	599,300
6/1/2013	550,000	585,390
12/1/2013	560,000	571,090
6/1/2014	580,000	556,530
12/1/2014	595,000	541,450
6/1/2015	610,000	525,980
12/1/2015	625,000	510,120
6/1/2016	640,000	493,870
12/1/2016	660,000	477,230
6/1/2017	675,000	460,070
12/1/2017	695,000	442,520
6/1/2018	715,000	424,450
12/1/2018	730,000	405,860
6/1/2019	750,000	386,880
12/1/2019	770,000	367,380
6/1/2020	795,000	347,360
12/1/2020	810,000	326,690
6/1/2021	835,000	305,630
12/1/2021	855,000	283,920
6/1/2022	880,000	261,690
12/1/2022	900,000	238,810
6/1/2023	925,000	215,410
12/1/2023	950,000	191,360
6/1/2024	980,000	166,660
12/1/2024	1,000,000	141,180
6/1/2025	1,025,000	115,180
12/1/2025	3,405,000	88,530
Total	\$ 26,810,000	\$ 15,331,406

Optional Redemption. The 2008 Bonds are subject to redemption at the option of the City from any lawfully available moneys of the City on or after June 1, 2018, in whole or in part on any date at the price of par, plus accrued interest, if any, to the date of redemption.

Notice of Redemption (DTC). So long as the 2008 Bonds are in book-entry only form, the Paying Agent shall notify DTC of an early redemption not less than 30 days prior to the date fixed for redemption, and shall provide such information as required by a letter of representation submitted to DTC in connection with the issuance of the 2008 Bonds.

Notice of Redemption (No DTC). During any period in which the 2008 Bonds are not in book-entry only form, unless waived by any Owner of the 2008 Bonds to be redeemed, official notice of any redemption of 2008 Bonds shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by first class mail, postage prepaid, at least 30 days and not more than 60 days prior to the date fixed for redemption, to the Owners of the 2008 Bonds to be redeemed at the address shown on the 2008 Bond register or at such other address as is furnished in writing by such Owner to the Paying Agent.

Paying Agent and Registration Features

The 2008 Bonds will be issued as fully registered bonds and, when issued, will be registered in the name of Cede & Co. as Bond Owner and as nominee for DTC. DTC will act as securities depository for the 2008 Bonds. Individual purchases and sales of the 2008 Bonds may be made in book-entry form only in minimum denominations of \$5,000 within a single maturity. Purchasers ("Beneficial Owners") will not receive certificates representing their interest in the 2008 Bonds. The principal of and interest on the 2008 Bonds will be payable by the City's "Paying Agent", currently U.S. Bank National Association, Portland, Oregon, to DTC which, in turn, will remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners of the 2008 Bonds. Interest on the 2008 Bonds will be credited to the Beneficial Owners by the DTC Participants.

Book-Entry Bonds

DTC will act as securities depository for the 2008 Bonds. The ownership of one fully registered bonds, as set forth on the cover of this Official Statement, will be registered in the name of Cede & Co., as nominee for DTC. See APPENDIX C – "Book-Entry Only System" herein for additional information.

Procedure Discontinuing Book-Entry Transfer System

The City may discontinue maintaining the 2008 Bonds in the book-entry form at any time and will discontinue maintaining the 2008 Bonds in book-entry form if DTC determines not to continue to act as securities depository for the 2008 Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found. If the City discontinues the book-entry system for the 2008 Bonds will mail interest payments to Owners and the 2008 Bonds will be transferable as provided in the Declaration.

Authorization for Issuance

Pursuant to the laws of the State of Oregon, specifically Oregon Revised Statutes ("ORS") Chapter 223 and 287A, the City Council (the "Council") of the City of Keizer adopted Resolution No. R2008-1857 on April 21, 2008 (the "Resolution"), authorizing issuance of the 2008 Bonds. The Resolution authorizes the City to execute a bond declaration (the "Declaration"), which describes the City's obligation to apply Assessment Payments and other funds to pay the 2008 Bonds, and contains the administrative provisions relating to the 2008 Bonds. The form of the Declaration is attached to this Official Statement as Appendix E.

There is no litigation pending questioning the authority of the City to issue the 2008 Bonds.

Security

Pledge

In the Declaration, the City pledged its full faith and credit to pay the 2008 Bonds and agreed to pay the 2008 Bonds from any of its legally available funds. The 2008 Bonds are also secured by a pledge of the Assessment Payments and other amounts to be deposited in the 2008 Bond Debt Service Account and the 2008 Bond

Reserve Account. The City shall pay the 2008 Bonds from any of its lawfully available funds to the extent that amounts in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account are not sufficient to pay the 2008 Bonds. The City shall not grant other liens on the Assessment Payments, the amounts deposited in the 2008 Bond Debt Service Account or the 2008 Bond Reserve Account, except in connection with refunding bonds.

The 2008 Bonds do not constitute a debt or indebtedness of Marion County (the "County"), the State of Oregon (the "State") or any political subdivision thereof other than the City. Further, **the 2008 Bonds are not unlimited tax general obligations of the City.**

Benefited Properties

The City has assessed benefited properties within the LID for the costs of certain transportation infrastructure, sanitary sewer systems, storm drain systems, water supply and distribution systems, and other public infrastructure and improvements within Area A (the "Improvements"). The City has received Contracts from property owners to pay those assessment in forty-two equal semi-annual installments of principal and interest based on the true interest cost of the 2008 Bonds plus 0.5 percent above that true interest cost. Until fully paid, each Contract is secured by a lien on the property that is prior to all other liens or encumbrances except tax liens. In addition, each Contract states that the property owner waives all irregularities or defects, jurisdictional or otherwise, in the proceedings to cause the improvements to be constructed for which the assessment is levied and in apportionment of the costs thereof. See "ASSESSMENTS" herein.

2008 Bonds

The 2008 Bonds will be issued in an amount not greater than the unpaid balance of all such Contracts, currently \$26,810,000.

Select Funds

The City previously established its Keizer Station LID Fund. Pursuant to the Declaration, the City is required to establish, maintain and hold two accounts within the Keizer Station LID Fund to be known as the "2008 Bond Debt Service Account" and the "2008 Bond Reserve Account" separate and apart from all other funds and accounts of the City.

2008 Bond Debt Service Account. The Declaration authorizes the City to establish, hold and maintain the 2008 Bond Debt Service Account to receive the Assessment Payments from owners of the benefited properties and to deposit such Assessment Payments into 2008 Bond Debt Service Account upon their receipt by the City. Pursuant to the Declaration, moneys in the 2008 Bond Debt Service Account are pledged solely for payment of principal, interest and any redemption premium, and any costs of managing and collecting the Assessment Payments and administering and paying the 2008 Bonds.

2008 Bond Reserve Account. The Declaration authorizes the City to establish, hold and maintain the 2008 Bond Reserve Account for the purpose of securing the payment of the principal of and interest on the 2008 Bonds. The 2008 Bond Reserve Account will be funded on the Date of Delivery from proceeds of the 2008 Bonds in an amount equal to the lesser of \$2,681,000 or the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on the 2008 Bonds (the "Reserve Requirement").

If there are insufficient moneys in the 2008 Bond Debt Service Account on the 2008 Bond payment date to make the payments of principal and/or interest payments on the 2008 Bonds, the City shall transfer moneys from the 2008 Bond Reserve Account to the 2008 Bond Debt Service Account in an amount sufficient to make the necessary payments on the 2008 Bonds. If disbursements are made from the 2008 Bond Reserve Account, the City will replenish the 2008 Bond Reserve Account from assessments not needed to make principal and interest payments.

The City is required to value the amount in the 2008 Bond Reserve Account on June 30 of each year (or the first business day thereafter, if June 30 is not a business day) and any date on which amounts are withdrawn from the 2008 Bond Reserve Account (the "Valuation Date"). If the amount in the 2008 Bond Reserve Account is less than the Reserve Requirement on a Valuation Date, then the City must deposit all Assessment Payments it

receives after that Valuation Date into the 2008 Bond Reserve Account until the 2008 Bond Reserve Account contains a balance that is equal to the Reserve Requirement.

If the value of the investments in the Bond Reserve Account exceeds the Reserve Requirement, the City shall transfer the excess to the 2008 Bond Debt Service Account and use it to pay or redeem 2008 Bonds.

Moneys in the 2008 Bond Reserve Account may be invested only in Permitted Investments, as provided in Section 5(3)(D) of the Declaration, that mature no later than the final maturity date of the Series of Bonds for which the subaccount was created. Earnings on the 2008 Bond Reserve Account are to be credited to the 2008 Bond Reserve Account whenever the balance in that account is less than the Reserve Requirement. Otherwise earnings shall be credited to the 2008 Bond Debt Service Account for use in redeeming 2008 Bonds. All amounts on deposit in the 2008 Bond Reserve Account shall be applied to the final payments (whether at maturity, by prior redemption or by means of a defeasance) of the 2008 Bonds.

Rating

As noted on the cover page of this Official Statement, the City has received an A3 rating for the 2008 Bonds from Moody's Investors Service. The rating reflects only the views of such rating agency and an explanation of the significance of the rating may be obtained from the rating agency. There is no assurance that the rating will be retained for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating will be likely to have an adverse effect on the market price of the 2008 Bonds.

Additional Obligations

The City may issue obligations to refund the 2008 Bonds that have a lien on the Assessment Payments and amounts in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account that is on a parity with the 2008 Bonds. The City covenanted in the Declaration not to grant any other liens on the Assessment Payments or amounts credited to the 2008 Bond Debt Service Account or the 2008 Bond Reserve Account. The City may pledge its full faith and credit to other borrowings without limitation.

Events of Defaults and Remedies

Events of Defaults. An "Event of Default" includes both failure to pay 2008 Bond principal, interest or premium when due and certain other events described in Section 11 of the Declaration.

Remedies. If an Event of Default occurs, Owners of 10 percent or more of the principal amount of 2008 Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of 2008 Bonds as described in the Declaration. However, the Bonds will not be subject to acceleration or mandatory redemption upon an Event of Default.

Whenever any Event of Default exists, other than for a failure to pay 2008 Bond principal, interest or premium when due, Owners representing 10 percent or more of the principal amount of 2008 Bonds then Outstanding may waive such Event of Default.

Purpose and Use of Proceeds

Purpose

The City Council adopted its Resolution No. 2004-1528, which created the Keizer Station Local Improvement District on October 4, 2004. The Improvements within Area A of the LID were financed by the City with lines of credit from KeyBank National Association that mature on May 30, 2008 and interfund borrowing. Proceeds of the 2008 Bonds will be used to provide long-term financing for the Improvements by retiring the lines of credit and fund the 2008 Bond Reserve Account and pay the costs of issuance of the 2008 Bonds (the "Project").

There are four distinct areas within the LID, which encompasses 225.2 acres adjacent to a minor league baseball facility built in 1998 and serves as an anchor for Keizer Station, a commercial, industrial and mixed-use center. Area A includes 95 acres referred to as the Village Center and 66 acres referred to as the Sports Center. The

Improvements are solely within the Village Center portion of Area A (see “THE PROJECT” for a description of the Improvements).

Estimated Sources and Uses of Funds

The proceeds from the 2008 Bonds are to be applied as follows:

Estimated Sources and Uses of Funds

Sources of Funds	Total Bonds
Par Amount of Bonds	\$ 26,810,000
Total Sources of Funds	<u>\$ 26,810,000</u>
Uses of Funds	
LID Costs	\$ 23,916,050
2008 Bond Reserve Account	2,681,000
Underwriting and Costs of Issuance	212,950
Total Uses of Funds	<u>\$ 26,810,000</u>

City Indebtedness

ORS Chapters 223 and 287A limits the amount of general obligation bonds which an Oregon city may have outstanding at any time to three percent of the real market value of the taxable property within the city. A lower limit may be applied by the city’s charter. **The statutory limitation does not apply to bonds issued pursuant to a contract to pay assessments for improvements in installments under statutory or charter authority, such as the 2008 Bonds,** or to general obligation bonds issued for water, sanitary or storm sewers, sewage disposal plants, hospitals, infirmaries, gas power, or lighting purposes, or the acquisition, establishment, or reconstruction of any off-street motor vehicle parking facility.

Debt Payment Record

The City has always promptly met principal and interest payments on outstanding bonds and other indebtedness when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default.

Future Debt Plans

The City currently has no plans to issue additional debt in the next few years.

The City’s urban renewal agency (a separate legal entity from the City) is considering short-term debt to finance the costs of a planned civic center in 2008. No formal action has been taken at this time and there is no assurance that such debt will be incurred.

Outstanding Indebtedness
(As of May 21, 2008)

Full Faith and Credit Obligations	Date of Issue	Date of Maturity	Amount Issued	Amount Outstanding
Series 2005 Taxable Non-revolving Credit Facility ⁽¹⁾	05/17/05	05/30/08	\$ 9,720,000	\$ 9,720,000
Less Refinancing				(9,720,000)
Series 2006 Tax-exempt Non-revolving Credit Facility ⁽¹⁾	05/30/06	05/30/08	14,000,000	14,000,000
Less Refinancing				(14,000,000)
Series 2008 Assessment Full Faith & Credit Bonds ⁽²⁾	05/21/08	06/01/31	26,810,000	26,810,000
Total General Obligation Bonds				<u>\$ 26,810,000</u>
Revenue Bonds				
Series 2005 Gas Tax Revenue Bonds	10/28/05	04/01/16	\$ 1,738,000	\$ 1,442,000
Series 2005 Water Revenue Loan	09/30/05	09/01/20	2,600,000	2,330,000
Total Revenue Bonds				<u>\$ 3,772,000</u>
Total Long-Term Debt				<u>\$ 30,582,000</u>

Source: Audited Financial Statements and the City.

(1) Line of Credit to be refunded.

(2) This issue.

Summary of Overlapping Debt
(As of April 16, 2008)

Overlapping Issuer Name	Real Market Value	Percent Overlapping	Gross Direct Debt⁽¹⁾	Net Direct Debt⁽²⁾
Keizer Rural Fire Protection District	\$ 2,155,126,047	98.3643%	\$ 1,436,119	\$ 1,436,119
Salem-Keizer School District No. 24J	17,786,379,303	13.4324%	52,384,917	25,310,000
Marion County	23,333,872,057	10.2389%	6,089,972	0
Marion County Rural Fire Protection District	3,155,791,200	8.5324%	163,395	163,395
Chemeketa Community College District	34,949,949,562	6.8359%	5,066,540	1,542,179
Willamette Education Service District	38,492,311,441	6.2068%	1,526,436	133,446
			<u>\$ 66,667,379</u>	<u>\$ 28,585,139</u>

(1) Gross Direct Debt includes all limited and unlimited tax supported debt, excluding pension obligations and self-supporting utility debt.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

Source: Debt Management Division, The Office of the State Treasurer.

Debt Ratios

The following table presents information regarding the City's Direct Debt and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners.

Debt Ratios

Real Market Value	\$ 2,840,167,275	
Estimated Population	35,435	
Per Capita Real Market Value	\$ 80,151	
Debt Information	Gross Direct Debt⁽¹⁾	Net Direct Debt⁽²⁾
City Direct Debt	\$ 26,810,000	\$ 0
Overlapping Direct Debt	66,667,379	28,585,139
Total Direct Debt	<u>\$ 93,477,379</u>	<u>\$ 28,585,139</u>
Bonded Debt Ratios		
City Direct Debt to Real Market Value	0.94%	0.00%
Total Direct Debt to Real Market Value	3.29%	1.01%
Per Capita City Direct Debt	\$ 757	\$ 0
Per Capita Total Direct Debt	\$ 2,638	\$ 807

(1) Gross Direct Debt includes all limited and unlimited tax supported debt, excluding pension obligations and self-supporting utility debt.

(2) Net Debt includes all tax-supported bonds. Self-supporting debt and limited-tax debt, such as capital leases and certificates of participation, are excluded.

Sources: Marion County Department of Assessment and Taxation; Debt Management Division, The Office of the State Treasurer; and Center for Population Research and Census, Portland State University, April 2008.

Assessments

Procedure

The Oregon Revised Statutes allow cities to levy assessments on properties benefited by capital improvements for the purpose of funding the costs of the improvements. The City sends a "Notice of Assessment" to property owners. Upon receipt of a Notice of Assessment, the property owner has the option of making a cash payment in full or signing an "Installment Payment Contract." The Contract is secured by a lien against the property whereby the property owner agrees to pay the assessment in installments over a twenty-one year period. The debt is amortized in forty-two equal semi-annual installments, plus interest of 0.50 percent above the true interest cost on the 2008 Bonds, a portion of which will be available to the City to cover its reasonable expenses. Property owners may prepay their assessments at any time. There is no prepayment penalty. The assessment installment payment obligations are not personal obligations of the property owners, and are secured solely by liens on the assessed property.

Until fully paid, each Contract is secured by a lien on the property that is prior to all other liens or encumbrances except tax liens.

Collection Policy

The assessment of each property subject to Contract is entered as a lien in the City lien docket. Oregon law provides that local improvement assessment liens are superior and prior to all liens or encumbrances other than tax liens. The City charges a penalty equal to 0.50 percent of the balance owing on a Contract whenever any installment payment is more than 15 days past due. Beyond 30 days past due, the City may proceed to foreclose or enforce collection of the assessment liens in the manner provided by State law. Foreclosure is governed by ORS Chapters 86 and 88 and takes approximately 6 months for an uncontested non-judicial foreclosure and may be longer.

The Project

The 2008 Bonds are secured by a distinct group of Contracts. The Project includes transportation infrastructure, sanitary sewer systems, storm drain systems, water supply and distribution systems, and other public infrastructure and improvements.

There are four distinct areas (A through D) within the LID, which encompasses 225.2 acres. Area A includes 95 acres referred to as the Village Center and 66 acres referred to as the Sports Center. The Improvements are solely within the Village Center portion of Area A.

The properties are located along Chemewa Road and front Interstate 5 ("I-5"). Of the 95 acres in Area A, approximately 79 are zoned Employment General ("EG") and 16 acres are zoned Industrial Business Park ("IBP") and Industrial General ("IG"). One-quarter of the properties zoned EG are designated for industrial park uses and the remaining three-quarters are designated for commercial uses.

The total Project cost is approximately \$36.3 million, a portion of which is being financed by proceeds from the 2008 Bonds.

Two property owners have satisfied their Assessment Payments totaling \$2.2 million. The owners of the remaining 22 properties signed Contracts in the amount of \$26,810,000. Total acreage of the properties with Contracts is 73.1 acres spread among four property owners.

A general description of the benefited properties assessed and for which the City has received signed Contracts follows. The City entered into Contracts based on information provided by the County, including real market values and assessed values of properties. The total Real Market Value ("RMV") of the portion of Area A for which there are Contracts is \$87,006,040 and the aggregate Contracts are \$26,810,000, with an overall RMV to assessment ratio of 3.25. The City does not intend to update information shown in the following table on an on-going basis other than real market values in Area A that are published by and available through the County.

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Summary of Installment Payment Contracts' Special Assessments -- 2008

Tax Map Acres	City Zoning⁽¹⁾	Fixed or Apportioned Assessment	Real Market Value (RMV)	Ratio of RMV to Assessment	Percentage of Assessment
Over 5:					
0.79	EG	\$ 289,738.71	\$ 1,960,240	6.77	1%
16.76	EG	6,146,861.83	39,029,720	6.35	23%
5.64	EG	2,068,514.36	12,342,820	5.97	8%
1.84	EG	674,834.47	3,932,430	5.83	3%
25.03		9,179,949.38	57,265,210	6.24	34%
3 to 5:					
1.06	EG	388,763.34	1,942,160	5.00	1%
0.75	EG	275,068.40	1,144,300	4.16	1%
1.29	EG	473,117.65	1,922,000	4.06	2%
1.06	EG	388,763.34	1,453,690	3.74	1%
4.16		1,525,712.72	6,462,150	4.24	6%
1 to 3					
5.98	EG	2,193,212.04	6,141,400	2.80	8%
1.79	EG	656,496.58	1,802,190	2.75	2%
2.23	EG	817,870.04	1,829,200	2.24	3%
1.69	EG	619,820.79	1,188,610	1.92	2%
1.80	EG	660,164.16	1,257,450	1.90	2%
2.50	EG	916,894.66	1,581,570	1.72	3%
0.72	EG	264,065.66	455,180	1.72	1%
4.30	EG	1,577,058.82	2,717,230	1.72	6%
1.27	EG	465,782.49	800,890	1.72	2%
1.10	EG	403,433.65	693,520	1.72	2%
1.04	EG	381,428.18	655,620	1.72	1%
0.74	EG	271,400.82	322,240	1.19	1%
1.00	EG	366,757.87	429,660	1.17	1%
26.16		9,594,385.77	19,874,760	2.07	36%
Under 1:					
10.01	IG/IBP	3,671,246.24	2,149,920	0.59 ⁽²⁾	14%
6.27	IBP	2,299,571.82	1,254,000	0.55 ⁽²⁾	9%
1.47	EG	539,134.06	NA	NA ⁽³⁾	2%
17.75		6,509,952.12	3,403,920	0.52	24%
73.10		\$ 26,810,000.00	\$ 87,006,040	3.25	100%

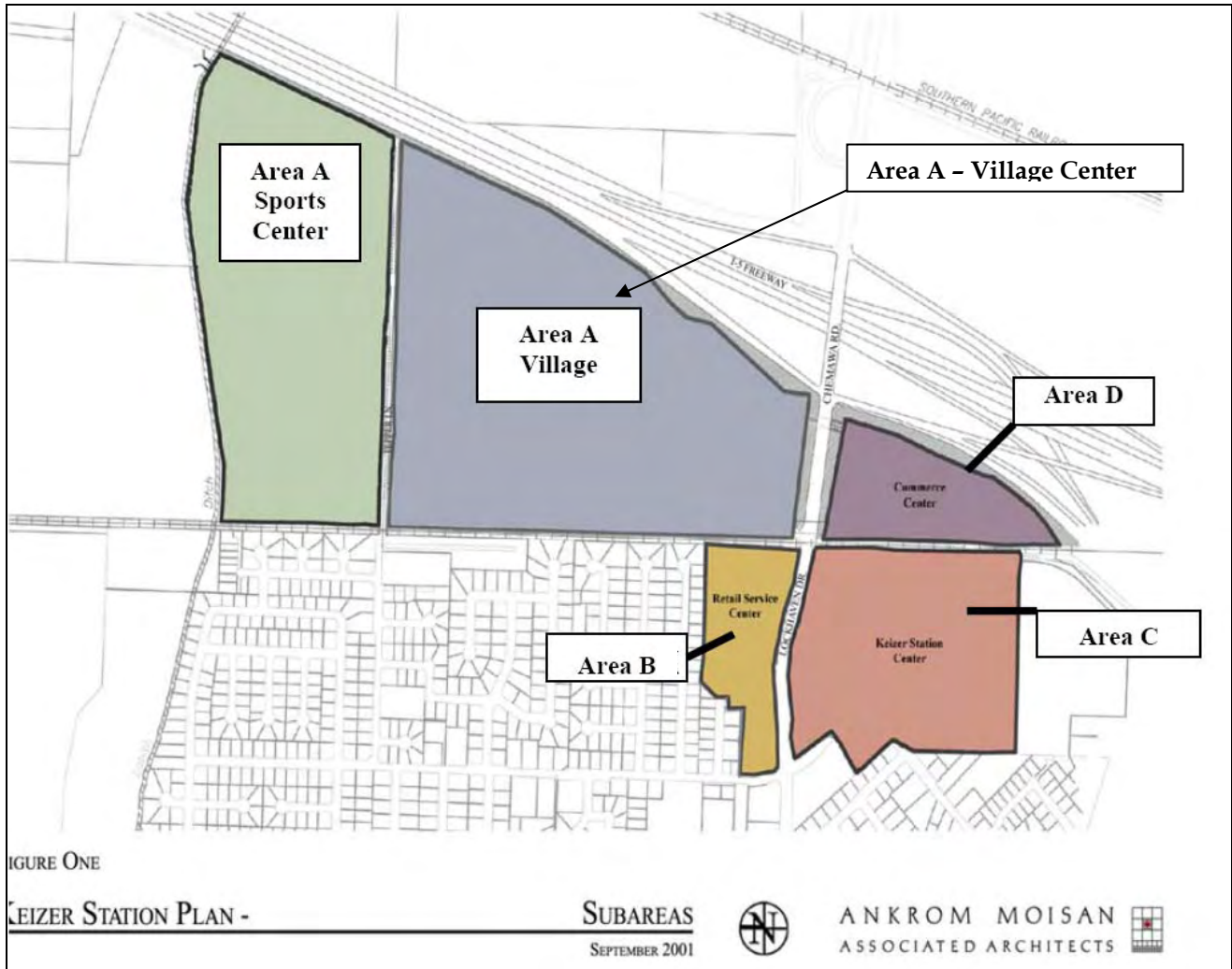
(1) Zoning codes "EG," "IG," and "IBP" stand for Employment General, Industrial General and Industrial Business Park, respectively. Sources: City Community Development Department and Powell Valuation Inc, April 22, 2008.

(2) An appraisal done by Spence Powell in 2004 valued the two properties at a build-out value aggregate amount of \$7,008,940, which is 1.17 times the current assessment. The County has deemed these properties residential for property tax assessment purposes. The City has informed the County that the properties are zoned IG and IBP.

(3) The value of this property is unavailable at this time. The County has incorrectly assigned zero value to this parcel stating that it is common area and that the value of this property is included in the value of the surrounding properties. The City has informed the County that this parcel is developable and has been land-banked for future needs.

Source: Marion County Assessor's Office, April 2008.

Keizer Station LID Subareas



Source: Keizer Station Plan, February 3, 2003; Amended July 2007.

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The City

The City was established in 1982. The City limits were aligned adjacent to the urban growth boundaries.

The majority of the workforce that resides within the City commutes into Salem or the Portland metropolitan area. The greater Salem-Keizer economy is primarily comprised of three industries: services, technology/manufacturing and government.

Government

The City's present charter was adopted in 1983 and went into effect on March 29, 1983. The City is administered by a Council/Manager form of government. The six City Council members are elected to four year terms in four wards with council members elected from each ward on staggered terms. The Mayor is elected to a two-year term of office. The Mayor and Council members serve without salary. The City Manager, appointed by the City Council, has responsibility for day-to-day management of the City and for appointing all other department directors.

A brief biography of the City's Mayor follows.

Lore Christopher, Mayor. Ms. Christopher was sworn in as Mayor on January 2, 2001. Mayor Christopher has been the Human Resource Director for the State of Oregon Legislature, Legislative Branch since 1997. She opened and managed the Salem branch of SelecTemp Temporary Services and has held various management positions for Sears Roebuck and Company. Mayor Christopher received her Bachelors Degree in Human Resource Management from George Fox University and her Master's Degree in Public Administration at Portland State University. She holds a certification of Senior Professional in Human Resources.

City of Keizer Members of the City Council

Name	Position	Occupation	Service Began	Term Expires
Lore Christopher	Mayor	Human Resources Director, State of Oregon, Legislative Branch	January 2001	January 2009
Cathy Clark	Councilor	Community Volunteer	January 2007	January 2011
David McKane	Councilor	ODOT Manager	January 2005	January 2009
Jacque Moir	Councilor	Homemaker/Community Volunteer	January 1999	January 2009
Brandon Smith	Councilor	Claims Adjuster SAIF	September 2007	January 2009
Jim Taylor	Councilor	Owner Landscape Business	January 2003	January 2011
Richard Walsh	Councilor	Attorney	August 2000	January 2011

Key Administrative Officials

Chris Eppley, City Manager. Mr. Eppley has been with the City since May 2000. Prior to his appointment, he was the City Administrator for Tonganozie, Kansas and Assistant City Manager for Spearman, Texas. Mr. Eppley earned his Master's Degree in Public Administration from the University of Kansas and is a member of the International City/County Management Association.

Susan Gahlsdorf, Finance Director. Ms. Gahlsdorf joined the City in September 1997. Immediately prior to joining the City, she worked for the State of Oregon Housing and Community Services Department as Financial Services Manager and Investment Officer. Prior to this, she was an auditor for the Oregon Secretary of State Audits Division. Ms. Gahlsdorf earned her Bachelor of Science in Business Administration from Oregon State University. She is a certified public accountant, a member of the Oregon Municipal Finance Officers Association and a member of the Governmental Finance Officers Association.

Nate Brown, Community Development Director. Mr. Brown has been with the City since September 2003. Prior to joining the City, he worked as the Building Official for the City of Salem. Mr. Brown has over 25 years of management experience in community development. He earned his Bachelor of Landscape Architecture

degree from Utah State University, and Masters of Public Administration degree from Brigham Young University. Mr. Brown was honored in 2005 by the Mid-Willamette Valley Council of Governments with the Wes Kvarsten Professional Service Award for his outstanding achievements in the region.

City Staffing

The City employs 93 full-time personnel. Thirty-one of the 41 sworn police officers and 6 of the 8 positions that support the police department are represented by the Keizer Police Association.

Bargaining Units

Bargaining Unit	No. of Employees	Contract Expires
Laborer's International Union of North America, Local 320	14	June 30, 2009
City of Keizer Police Association	37	June 30, 2009

Financial Factors

Financial Reporting and Accounting Policies

The City's basic financial statements were prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board ("GASB").

The City follows the "governmental activities" and "business-type activities" reporting requirements of GASB-34 that provides a comprehensive two-column look at the City's financial activities. In addition, the City provides financial statements by funds, divided into two categories: governmental funds and proprietary funds. The General Fund is a governmental fund.

The City has received the Certificate of Achievement for Excellence in Financial Reporting for its CAFR for the Fiscal Years ended June 30, 2003 through 2007.

Additional information on the City's accounting methods is available in the City's audited financial statements. A copy of the City's audited financial report for Fiscal Year 2007 is attached hereto as Appendix B.

Description of Select Funds

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types.

Governmental Funds. Governmental funds are used to account for most of the City's general activities, including the collection and disbursement of earmarked moneys (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The City has six major governmental funds -- the General Fund, Street Fund, Housing Fund, Urban Renewal Project Fund, Urban Renewal Tax Fund, and Keizer Station LID Fund -- as well as other minor funds. The General Fund is used to account for all general government activities not accounted for in some other fund. These funds are reported using the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash.

Proprietary Funds. When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds.

Auditing

Each Oregon municipal corporation must obtain an audit and examination of its funds and account groups at least once each year pursuant to the Oregon Municipal Audit Law, ORS 297.405-297.555. Municipalities having annual expenditures of less than \$500,000, with the exception of counties and school districts, are exempt from this requirement. All Oregon counties and school districts, regardless of amount of annual expenditures, must obtain an audit annually. The required audit may be performed by the State Audit Division or by independent public accountants certified by the State as capable of auditing municipal corporations.

The City audits for the Fiscal Years 2003 through 2007 were performed by Grove, Mueller & Swank, P.C., CPAs, Salem, Oregon (the "Auditor"). The audit report for Fiscal Year 2006 indicates the financial statements, in all material respects, fairly present the City's financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information and the respective changes in financial position and the cash flows, where applicable, in conformance with accounting principles generally accepted in the United States of America. The Auditor was not requested to review this Official Statement and has not completed any additional auditing review procedures subsequent to the issuance of their report on the 2007 Fiscal Year.

The audited financial statement of the City as of June 30, 2007 is attached to this Official Statement as Appendix B. Future financial statements may be ordered by contacting the individual nationally recognized municipal securities information repositories ("NRMSIR") at the addresses below, or by accessing the NRMSIR website, located at: <http://www.sec.gov/info/municipal/nrmsir.htm> (this inactive textual reference to the website is not a hyperlink and the website, by such reference, is not incorporated herein).

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Phone: 609-279-3225
FAX: 609-279-5962
E-Mail: Munis@Bloomberg.com

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Phone: 201-346-0701
FAX: 201-947-0107
E-Mail: nrmsir@dpcdata.com

Interactive Data Pricing and Reference Data, Inc.
Attn.: NRMSIR
100 William Street, 15th Floor
New York, NY 10038
Phone: 212-771-6999; 800-689-8466
FAX: 212-771-7391
E-Mail: NRMSIR@interactivedata.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: 212-438-4595
FAX: 212-438-3975
E-Mail: nrmsir_repository@sandp.com

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Summaries of the City's Net Assets and Changes in Net Assets follow:

Statement of Net Assets
(Fiscal Years)

Assets	2007	2006	2005	2004	2003
Cash and investments	\$ 13,866,211	\$ 13,428,730	\$ 11,580,286	\$ 12,475,476	\$ 10,036,563
Accounts receivable	2,345,701	1,289,077	1,273,309	1,569,881	1,423,156
Property taxes	377,595	410,449	454,924	466,274	489,026
Inventories	112,308	70,151	65,091	65,908	59,198
Capital assets	61,850,282	56,413,891	32,733,393	27,198,184	26,952,734
Total Assets	78,552,097	71,612,298	46,107,003	41,775,723	38,960,677
Liabilities					
Accounts payable	1,653,935	2,041,888	2,376,949	680,013	697,608
Deposits	155,213	164,238	128,805	111,373	123,004
Deferred revenue	0	0	0	0	9,530
Bonds Payable	27,778,000	23,908,000	3,445,000	4,205,000	4,955,000
Accrued compensated absences	442,547	436,862	413,007	371,508	338,956
Total Liabilities	30,029,695	26,550,988	6,363,761	5,367,894	6,124,098
Net Assets					
Invested in capital assets, net of related debt	34,072,282	33,237,023	28,916,634	22,993,184	21,997,734
Restricted for special purposes	2,557,208	3,197,412	5,738,931	9,563,822	8,145,459
Unrestricted	11,892,912	8,626,875	5,087,677	3,850,823	2,693,386
Total Net Assets	\$ 48,522,402	\$ 45,061,310	\$ 39,743,242	\$ 36,407,829	\$ 32,836,579

NOTE: The Net Assets presents information on all the City's assets and liabilities with the difference between the two reported as net assets.

Source: Audited Financial Statements.

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Changes in Net Assets
(Fiscal Years)

Revenues	2007	2006	2005	2004	2003
Property taxes	\$ 6,062,528	\$ 6,782,351	\$ 6,332,711	\$ 6,053,862	\$ 5,770,276
Franchise taxes	2,283,966	2,156,426	1,947,010	1,961,642	1,793,520
Intergovernmental - unrestricted	891,629	750,630	771,629	744,190	701,662
Miscellaneous	1,712,867	994,461	844,871	142,863	221,702
Fees, Fines and Charges for Services	8,645,090	7,842,374	7,186,138	7,578,163	6,626,774
Operating Grants and Contributions	2,155,747	2,807,535	1,907,718	1,780,721	1,613,939
Capital Grants and Contributions	716,686	2,090,607	996,483	68,733	34,396
Total Revenues	22,468,513	23,424,384	19,986,560	18,330,174	16,762,269
Expenses					
Governmental Activities					
General Government	\$ 1,105,397	\$ 1,482,804	\$ 2,263,474	\$ 2,156,572	\$ 1,790,961
Community and youth services	5,891	5,104	4,400	441	1,296
Community services	2,477,616	2,169,848	1,553,543	799,064	870,278
Parks	182,179	177,860	175,029	110,806	107,900
Public safety	5,779,195	5,426,593	5,181,421	4,512,031	4,592,191
Public works	1,477,995	1,498,709	726,596	739,176	682,003
Stadium operations	0	40,515	40,610	38,343	36,300
Interest on long-term debt	984,239	607,443	190,224	224,631	0
Total Governmental Expenses	12,012,512	11,408,876	10,135,297	8,581,064	8,080,929
Business-type Activities					
Water	2,253,494	2,192,830	2,041,226	1,836,951	1,767,710
Sewer and Storm Drain	4,335,363	4,106,832	4,074,941	3,961,489	3,587,126
Street lighting	406,052	397,772	399,682	379,419	380,140
Total Business-type Activities	6,994,909	6,697,434	6,515,849	6,177,859	5,734,976
Total Expenses	19,007,421	18,106,310	16,651,146	14,758,923	13,815,905
Increase (decrease) in net assets	3,461,092	5,318,074	3,335,414	3,571,251	2,491,146
Net assets - July 1	45,061,310	39,743,236	36,407,828	32,836,578	30,345,433
Total Net Assets	\$ 48,522,402	\$ 45,061,310	\$ 39,743,242	\$ 36,407,829	\$ 32,836,579

NOTE: The statement of Changes in Net Assets presents information showing how the City's net assets changed during a given Fiscal Year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Revenues and expenses are reported in this statement for some items that will result in cash flows in future periods, such as uncollected taxes and earned, but unused, vacation leave.

Source: Audited Financial Statements.

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General Fund Balance Sheet
(Fiscal Years)

Assets	2007	2006	2005	2004	2003
Cash and investments	\$ 1,666,990	\$ 1,316,240	\$ 1,088,946	\$ 1,293,066	\$ 975,121
Accounts receivable	334,080	295,918	247,304	318,882	246,703
Property taxes receivable	168,859	161,032	178,924	190,687	202,022
Due from other funds	62,013	0	39,602	32,572	0
Total Assets	\$ 2,231,942	\$ 1,773,190	\$ 1,554,776	\$ 1,835,207	\$ 1,423,846
Liabilities					
Liabilities:					
Accounts payable	\$ 110,391	\$ 139,474	\$ 142,851	\$ 119,752	\$ 126,621
Deposits	34,367	55,410	34,548	22,923	39,528
Deferred revenue	118,389	108,889	133,755	155,187	164,544
Total Liabilities	263,147	303,773	311,154	297,862	330,693
Fund Balances:					
Unreserved	1,968,795	1,469,417	1,243,622	1,537,345	1,093,153
Total Liabilities and Fund Balances	\$ 2,231,942	\$ 1,773,190	\$ 1,554,776	\$ 1,835,207	\$ 1,423,846

Source: Audited Financial Statements.

**General Fund Statement of Revenues, Expenditures and
Changes in Fund Balance**
(Fiscal Years)

Revenues	2007	2006	2005	2004	2003
Taxes and assessments	\$ 3,228,652	\$ 2,909,798	\$ 2,704,353	\$ 2,584,700	\$ 2,465,104
Licenses and permits	2,386,993	2,314,371	2,070,679	2,108,832	1,865,090
Intergovernmental	749,581	623,327	580,063	639,839	629,815
Fines and forfeitures	654,136	545,247	473,327	372,964	443,464
Miscellaneous	277,457	222,617	148,644	157,605	131,458
Total Revenues	7,296,819	6,615,360	5,977,066	5,863,940	5,534,931
Expenditures					
Current operating					
General government	747,809	683,822	685,280	582,977	528,800
Community and youth services	5,891	5,104	4,400	441	1,296
Community development	363,149	344,606	363,054	337,324	263,513
Parks	151,744	141,167	125,563	110,801	107,661
Public safety	5,272,615	4,930,635	4,757,767	4,271,288	4,228,294
Stadium operations	0	40,515	40,610	38,343	36,300
Capital outlay	30,881	30,426	10,942	0	0
Total Expenditures	6,572,089	6,176,275	5,987,616	5,341,174	5,165,864
Excess (deficiency) of revenues over expenditures	724,730	439,085	(10,550)	522,766	369,067
Other Financing Sources (Uses)					
Transfers in	5,247	0	659	0	12,168
Transfers out	(230,599)	(213,590)	(283,832)	(78,574)	(82,920)
Total Other Financing Sources (Uses)	(225,352)	(213,590)	(283,173)	(78,574)	(70,752)
Net Change in Fund Balance	499,378	225,495	(293,723)	444,192	298,315
Fund balance at beginning of year	1,469,417	1,243,622	1,537,345	1,093,153	794,838
Ending fund balance	\$ 1,968,795	\$ 1,469,117	\$ 1,243,622	\$ 1,537,345	\$ 1,093,153

Source: Audited Financial Statements.

Budgetary Process

The City prepares an annual budget in accordance with the Oregon Local Budget Law. ORS Chapter 294 establishes standard procedures for all budget functions for all Oregon local governments. Under the applicable provisions, there must be public participation in the budget process and the adopted budget must be balanced.

The City's administrative staff evaluates the budget requests of the various departments of the City to determine the funding levels of the operating programs. The budget is presented to the public through public hearings held by a budget committee consisting of City Council members and lay members. After giving due consideration to the input received from the citizens, the City Council adopts the budget, authorizes the levying of taxes and sets appropriations. The budget must be adopted not later than June 30 of each Fiscal Year.

The budget may be amended during the applicable Fiscal Year through the adoption of a supplemental budget. Supplemental budgets may be adopted by the Council pursuant to ORS 294.480.

Keizer Station LID Fund and General Fund Adopted Budget, as Amended (Fiscal Years)

Resources	<u>Keizer Station LID Fund</u>		<u>General Fund</u>	
	2008	2007	2008 ⁽¹⁾	2007
Working Capital Carryforward	\$ 347,000	\$ 1,157,900	\$ 1,611,300	\$ 1,322,800
Loan Proceeds	1,764,700	6,500,000	0	0
Taxes	0	0	3,336,400	3,170,600
Licenses & Fees	0	0	2,429,000	2,234,600
Intergovernmental	0	0	833,200	745,000
Fines & Forfeits	0	0	605,600	531,300
Transfers In	0	0	0	10,000
Miscellaneous	0	0	244,600	174,800
Total Resources	\$ 2,111,700	\$ 7,657,900	\$ 9,060,100	\$ 8,189,100
Expenditures				
Personnel Services	\$ 0	\$ 0	\$ 5,762,100	\$ 5,274,500
Materials & Services	9,700	21,600	1,780,800	1,563,300
Capital Outlay	2,102,000	7,609,300	28,600	24,600
Transfers Out	0	27,000	234,300	267,600
Contingency	0	0	136,600	69,200
Fund Balance	0	0	1,117,700	989,900
Total Expenditures	\$ 2,111,700	\$ 7,657,900	\$ 9,060,100	\$ 8,189,100

(1) Certain expenditure amounts were amended.

Source: City of Keizer Adopted Budget.

Investments

ORS 294.035 authorizes Oregon municipalities to invest in obligations, ranging from U.S. Treasury obligations and Agency securities to municipal obligations, bankers' acceptances, commercial paper, certificates of deposit, corporate debt and guaranteed investment contracts, all subject to certain size and maturity limitations. No municipality may have investments with maturities in excess of 18 months without adopting a written investment policy which has been reviewed and approved by the Oregon Short Term Fund Board. ORS 294.052 authorizes Oregon municipalities to invest proceeds of bonds or certificates of participation and amounts held in a fund or account for such bonds or certificate of participations under an investment agreements if the agreements: (i) produce a guaranteed rate of return; (ii) are fully collateralized by direct obligations of, or obligations guaranteed by, the United States; and (iii) require that the collateral be held by the municipality, an agent of the municipality or a third-party safekeeping agent.

The City Council approved an investment policy in 1984 that reinforced State statutes. Copies of the policy are available from the City upon request.

Municipalities are also authorized to invest up to approximately \$40.7 million (adjusted for inflation) in the Local Government Investment Pool of the Oregon Short-Term Fund, which is managed by the State Treasurer's office. Such investments are managed in accordance with the "prudent person rule" (ORS 293.726) and administrative regulations of the State Treasurer which may change from time to time. A listing of investments held by the Oregon Short-Term Fund is available on the Oregon State Treasury website under "Other OSTF Reports - OSTF Detailed Monthly Reports" at <http://www.ost.state.or.us/about/boards/OSTF/About.htm> (this inactive textual reference to the website is not a hyperlink and the website, by such reference, is not incorporated herein).

Pension System

Certain City employees belong to the Oregon Public Employees Retirement System; all others participate in the City's 401(a) Plan. Both pension systems are described below.

Oregon Public Employees Retirement System. After six months of employment sworn officers, the City Manager and the Public Works Director become participants in one of three retirement pension benefit programs under the State of Oregon Public Employees Retirement System ("PERS" or the "System") – the Tier 1 and Tier 2 pension programs (the "T1/T2 Pension Programs") or the Oregon Public Service Retirement Plan ("OPSRP").

The T1/T2 Pension Programs are defined benefit pension plans that provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Different benefit structures apply to participants depending on their date of hire.

Participating public employees hired on or after August 29, 2003, become part of OPSRP, unless membership was previously established in the T1/T2 Pension Program. OPSRP is a hybrid (defined contribution/defined benefit) pension plan with two components. Employer contributions fund the defined benefit program and employee contributions fund individual retirement accounts under the separate defined contribution program.

Oregon statutes require an actuarial valuation of the System by a competent actuary at least once every two years, and based on the actuarial review, every two years the Public Employees Retirement Board ("PERB") establishes the contribution rates that employers will pay to fund the obligations of T1/T2 Pension Programs, OPSRP and the PERS-sponsored Retirement Health Insurance Account Plan ("RHIA"). (See "OTHER POST-EMPLOYMENT RETIREMENT BENEFITS" below.) The rates are based upon the current and projected cost of benefits and the anticipated level of funding available from the Oregon Public Employee's Retirement Fund, including known and anticipated investment performance of the fund. T1/T2 Pension Program employees and OPSRP employees are required by State statute to contribute 6 percent of their annual salary to the respective programs. Employers are allowed to pay the employees' contribution in addition to the required employers' contribution. The City has elected to make the employee contribution.

Employer Asset Valuation and Liabilities. An employer's unfunded actuarial liability ("UAL") is the excess of the actuarially determined present value of the employer's benefit obligations to employees over the existing actuarially determined assets available to pay those benefits.

OPSRP's assets and liabilities are pooled on a program-wide basis. These assets and liabilities are not tracked or calculated on an employer basis. The City's allocated share of OPSRP's assets and liabilities is based on the City's proportionate share of OPSRP's pooled payroll. According to the City's actuarial valuation for the year ending December 31, 2006 (the "2006 City Valuation"), the City's pension UAL is a surplus of \$2,863,749.

2006 City Valuation Summary

	2006 City Valuation
T1/T2 Actuarial Accrued Liability	\$ 10,273,073
T1/T2 Assets	13,123,262
Allocated OPSRP UAL	(13,560)
Unfunded pension actuarial accrued liability	\$ (2,863,749)

Source: "Summary of Pension Unfunded Accrued Liability as of December 31, 2006," PERS, December 14, 2007.

Employer Contribution Rates. The City's current employer contribution rates are based on the City's actuarial valuation as of December 31, 2005. These rates became effective on July 1, 2007 and are effective through June 30, 2009. Included in these rates are contribution rates for the PERS Retirement Health Insurance Account ("RHIA") program for Tier 1 and Tier 2 participants described below. The City's employer contribution rate is subject to future adjustment based on factors such as the results of subsequent actuarial valuations and changes in benefits resulting from legislative modifications. The 2006 City Valuation also provides advisory contribution rates for July 1, 2009. Actual contribution rates that take effect on July 1, 2009 will be based on an actuarial valuation as of December 31, 2007, which has not been released. The following table shows the City's current employer contribution rates and the July 1, 2009 advisory rates:

City of Keizer Net Employer Contribution Rate

	T1/T2 Payroll	ORSRP General Service Payroll	OPSRP Police & Fire Payroll
July 1, 2007-June 30, 2009	13.32%	9.29%	12.56%
July 1, 2009-June 30, 2011 ⁽¹⁾	7.23	1.69	4.56

(1) Advisory rates only; subject to change.

Source: Summary of PERS Employer Contribution Rates, December 14, 2007.

401(a) Plan. Employees that are not covered by PERS and have worked for the City for six months qualify for a section 401(a) qualified pension plan (the "401(a) Plan"). The 401(a) Plan was established and is administered by the City Council. Contributions to the 401(a) Plan are 11 to 12 percent of compensation paid by the City; there are no contributions made by employees. Contributions for the 2007 Fiscal Year totaled \$488,070. Plan assets are invested in registered mutual funds. Benefits are provided at normal retirement age or under other circumstances, such as death or disability.

Other Postemployment Benefits

GASB 45. GASB 45 requires local governments with more than 100 employees to determine the extent of its liabilities for post employment benefits and record the liability in its financial statements on an actuarial basis. This includes the requirement under ORS 243.303 of offering the same healthcare benefits for current City employees to all retirees and their dependents until such time as the retirees are eligible for Medicare. GASB 45 refers to this as an "implicit subsidy" and requires that the corresponding liability be determined and reported. **The City is exempt from this pronouncement currently as it has less than 100 employees.**

Retirement Health Insurance Account. PERS retirees who receive benefits through the Tier 1 and Tier 2 plans and are enrolled in certain PERS administered health insurance programs, may receive a subsidy towards the payment of health insurance premiums. Under ORS 238.420, retirees may receive a subsidy for Medicare supplemental health insurance of up to \$60 per month towards the cost of their health insurance premium under a Retirement Health Insurance Account ("RHIA") plan. According to the 2006 System Valuation, this program had a UAL of approximately \$290.3 million. The RHIA program's assets and liabilities are pooled on a system-wide basis and are not tracked or calculated on an employer basis. The City's allocated share of the RHIA program's assets and liabilities is based on the City's proportionate share of the program's pooled

payroll. According to the 2006 City Valuation, the City's allocated share of the RHIA program's UAL is \$108,149.

The City's current total contribution rate to fund RHIA benefits for T1/T2 employees is 0.37 percent of PERS-covered salaries based on the December 31, 2005 actuarial valuation. According to the 2006 City Valuation, the City's advisory contribution rates for RHIA benefits for T1/T2 employees is 0.32 percent and for OPSRP general services employees is 0.22 percent. These RHIA program contribution rates are incorporated in the total City employer contribution rates reported above. Actual RHIA contribution rates that will take effect on July 1, 2009 will be based on an actuarial valuation as of December 31, 2007, which has not been released.

Risk Management

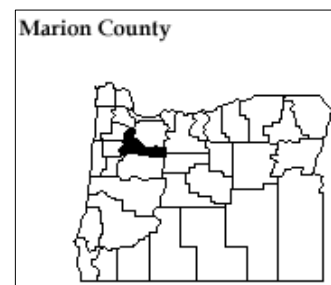
The City is exposed to various risks of loss. A description of the risks is provided in the City's audited financial statements. The audited financial statement for Fiscal Year 2007 is attached hereto as Appendix B.

Demographic Information

General

The City is located in Marion County north of the State capital, Salem. The City encompasses 7.36 square miles and was established on November 2, 1982.

Marion and Polk Counties make up the Salem Metropolitan Statistical Area (the "Salem MSA"). This statement bases information on the Salem MSA, and the City.



Population

The City's estimated population is currently 35,435, the 14th largest in the State. The following table shows the historic population for the State, the County and the City:

Population
State of Oregon, Marion County and the City of Keizer

July 1	State of Oregon	Marion County	City of Keizer
2007	3,745,455	311,070	35,435
2006	3,690,505	306,665	34,880
2005	3,631,440	302,135	34,735
2004	3,582,600	298,450	34,380
2003	3,541,500	295,900	34,010
2002	3,504,700	291,000	33,100
2001	3,471,700	288,450	32,950
April 1⁽¹⁾			
2000	3,421,399	284,838	32,203
1990	2,842,321	228,483	21,884

(1) U.S. Census Count on April 1.

Source: Center for Population Research and Census, Portland State University.

Economic Overview

The economy of the Salem MSA is based on government employment, agriculture, food processing, wood and paper products and light manufacturing. Area manufacturing includes manufactured homes, silicon wafers, metal products, electronic equipment, and tourism. Major employers include the State, the Salem-Keizer School District, Salem Hospital, the County, Chemeketa Community College, T-Mobile, City of Salem and

Norpac Foods. Major agricultural commodities produced in the region include nursery crops, perennial ryegrass, dairy products, tall fescue, and Christmas trees.

The number of acres harvested and gross farm sales in the County are as follows:

Marion County
Harvested Acreage and Gross Farm Sales

Year	Harvested Acreage	Gross Farm Sales (\$ in thousands)		
		Crop Sales	Animal Products Sales	Total Gross Farm Sales
2007	155,462	\$ 479,784	\$ 134,944	\$ 614,728
2006	156,136	477,235	108,020	585,255
2005	151,435	428,647	106,904	535,551
2004	154,479	421,787	96,941	518,728
2003	155,639	416,527	83,113	499,640

2008 Top Commodities

Rank	Commodity	Sales
1	Nursery Crops	\$ 155,602,000
2	Dairy Products	66,473,400
3	Perennial Ryegrass	50,688,000
4	Greenhouse Crops	40,533,000
5	Christmas Trees	30,647,700

Source: Oregon State University Extension Service's Oregon Agriculture Information Network, Harvested Acreage Summary Report, Gross Farm Sales Reports, Commodity Report; January 23, 2008.

Income. Historic personal income and per capita income levels for the County and the State are shown below:

Total Personal and Per Capita Income

Year	State of Oregon				Marion County			
	Personal Income (\$000 Omitted)	Dividends, Interest, Rent (\$000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent	Personal Income (\$000 Omitted)	Dividends, Interest, Rent (\$000 Omitted)	Per Capita Income	Per Capita Dividends, Interest, Rent
2007	\$ 130,353,173	\$ 25,772,723	\$34,784	\$6,877	n/a	n/a	n/a	n/a
2006	122,909,475	23,881,696	33,299	6,470	\$ 9,044,845	\$ 1,506,859	\$ 29,453	\$ 4,907
2005	114,703,242	21,480,584	31,599	5,918	8,471,733	1,373,833	27,994	4,540
2004	109,717,646	21,023,881	30,621	5,868	8,230,980	1,380,701	27,462	4,607
2003	105,160,987	19,799,945	29,565	5,567	7,924,097	1,341,484	26,661	4,514
2002	101,881,884	19,502,101	28,931	5,538	7,512,637	1,260,882	25,553	4,289

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 24, 2008.

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Employment. Non-farm employment within the County is described in the following tables:

**Salem-MSA
Labor Force Summary ⁽¹⁾
(by place of residence)**

	2007	2006	2005	2004	2003	2002	<u>2007 Change from</u>				
							2006	2005	2004	2003	2002
Civilian Labor Force	191,211	187,886	185,831	184,882	183,703	181,081	3,325	5,380	6,329	7,508	10,130
Unemployment	10,289	10,504	11,773	13,641	14,261	12,857	-215	-1,484	-3,352	-3,972	-2,568
Percent of Labor Force	5.4%	5.6%	6.3%	7.4%	7.8%	7.1%	xx	xx	xx	xx	xx
Total Employment	180,922	177,382	174,058	171,241	169,442	168,224	3,540	6,864	9,681	11,480	12,698

Non-Agricultural Wage & Salary Employment ⁽²⁾

	2007	2006	2005	2004	2003	2002	<u>2007 Change from</u>				
							2006	2005	2004	2003	2002
Total Nonfarm Payroll Employment	152,200	149,400	146,300	142,800	139,500	138,900	2,800	5,900	9,400	12,700	13,300
Total Private	111,900	109,600	106,300	103,100	100,200	98,700	2,300	5,600	8,800	11,700	13,200
Natural resources and mining	1,300	1,300	1,300	1,300	1,300	1,300	0	0	0	0	0
Construction	10,000	9,400	8,200	7,200	6,500	6,700	600	1,800	2,800	3,500	3,300
Manufacturing	15,200	15,500	14,900	14,600	14,000	14,300	-300	300	600	1,200	900
Trade, transportation, and utilities	25,700	25,400	24,800	23,800	23,400	22,400	300	900	1,900	2,300	3,300
Information	1,500	1,500	1,500	1,600	1,600	1,700	0	0	-100	-100	-200
Financial activities	7,500	7,400	7,300	7,100	6,900	6,700	100	200	400	600	800
Professional and business services	13,200	12,600	12,700	12,000	11,400	11,000	600	500	1,200	1,800	2,200
Educational and health services	19,600	19,000	18,600	18,300	17,900	17,600	600	1,000	1,300	1,700	2,000
Leisure and hospitality	12,500	12,300	12,100	12,000	12,000	11,800	200	400	500	500	700
Other services	5,300	5,300	5,100	5,100	5,200	5,300	0	200	200	100	0
Government	40,300	39,800	40,000	39,700	39,300	40,200	500	300	600	1,000	100

- (1) Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture and labor disputants. Data are adjusted for multiple job-holding and commuting.
- (2) Nonfarm payroll data are based on the 1987 Standard Industrial Classification manual. The data are by place of work. Persons working multiple jobs are counted more than once. The data excludes the self-employed, volunteers, unpaid family workers, and domestics.

Source: State of Oregon Employment Department, March 2008.

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**Major Employers in the Salem-Keizer Area
(2007-08)**

Company	Service	Location	No. Employees
Salem-Keizer School District	Education	Keizer, Salem	4,857
Avamere Court At Keizer	Nursing Care Facilities	Keizer	175
Lowe's Home Improvement Warehouse	Retail	Keizer	150
Pilot Travel Centers LLC	Gas station, service center, restaurant	Keizer	100
City of Keizer	Government	Keizer	83
Willamette Lutheran Homes Inc	Nursing Care Facilities	Keizer	75
State of Oregon	State government, human services	Salem	19,900
Salem Hospital	General Hospital	Salem	3,500
Marion County	Government	Salem	2,400
Chemeketa Community College	Education	Salem	1,344
T-Mobile	Telecommunications	Salem	1,100
City of Salem	City Government	Salem	1,022
Norpac Foods	Food processing	Salem	1,000
Roth's Your Family Market	Grocery store	Salem	1,000
Wal-Mart	Department store	Salem	1,000
State Farm Mutual Automobile	Insurance	Salem	900
Willamette Education Services	Education	Salem	750
Fred Meyer	Department store/Warehouse	Salem	700
Wachovia	Banking	Salem	690
Willamette University	Education	Salem	627
Rainsweet	Bottled water	Salem	600
Regence HMO Oregon	Medical Insurance	Salem	450
Statesman's Journal	Newspaper/printing	Salem	422
Salem Clinic	Medical	Salem	400
Truitt Brothers Inc	Food processing	Salem	400
SAIF Corp	Insurance	Salem	400
Safeway	Grocery store	Salem	317

Source: Oregon Employment Department, Salem Area Chamber of Commerce; Keizer Chamber of Commerce; Harris Infosource; February 27, 2008.

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Building Permits. Residential building permits are an indicator of growth within a region. The number and valuation of new single-family and multi-family residential building permits in the City of Keizer are listed below:

Residential Building Permits

City of Keizer

Year	<u>New Single Family</u>		<u>New Multi Family</u>			<u>Total</u>	
	Number	Construction Cost	Number	Units	Construction Cost	Construction Cost	
2008 ⁽¹⁾	3	\$ 461,421	0	0	\$ 0	\$	461,421
2007	55	11,512,287	1	2	118,498		11,630,785
2006 ⁽²⁾	56	11,869,427	23	202	17,336,135		29,205,562
2005	69	14,388,124	5	14	1,373,212		15,761,336
2004 ⁽³⁾	125	23,497,865	13	34	4,067,752		27,565,617
2003	154	28,796,742	9	28	2,753,126		31,549,868

(1) As of March 1, 2008.

(2) The City issued building permits for two apartments, one 84-unit apartment in April, and an 114-unit apartment in October 2006.

(3) The issuance of new single-family building permits declined following 2004 due to availability of less land within the urban growth boundary. According to the City's building department, the majority of residential permits issued after 2004 were for development on infill-lots as compared to developments on larger plots in prior years.

Source: U.S. Census Bureau; City of Keizer, April 7, 2008.

Transportation: Interstate Highway 5, and U.S. Highways 99E are the primary ground transportation routes serving the City.

Community air transportation is available at the Salem Municipal Airport and at Independence State Airport. Commercial air transportation is available at Portland International Airport ("PDX"). PDX, operated by the Port of Portland (the "Port"), is served by 17 scheduled passenger air carriers and three charter services. Fourteen cargo carriers service PDX.

Rail service to the City is handled by the Burlington Northern and Southern Pacific railroads. Amtrak passenger service is available in Salem. Amtrak provides direct rail service to Seattle, Portland, San Francisco and Los Angeles.

Local public bus transportation is provided by the Chemeketa Area Regional Transportation System (CARTS), a partnership between Marion, Polk and Yamhill counties. CARTS operates in rural Marion and Polk counties including the Cities of Independence and Monmouth. Yamco Transit which operates bus routes Monday through Saturday includes routes to east, north and south McMinnville and routes to the cities of Salem, Amity, Sheridan, Willamina, Yamhill, Carlton and Newberg.

Higher Education. There are two private universities and a community college located in Salem: Willamette University and Corban College, and they are private liberal arts colleges which offer bachelor and master degree programs; Chemeketa Community College is a public community college offering associate degrees and technical programs. The college provides general education courses, occupational and technical preparatory training, lower division college transfer courses, skills upgrading and employee technical training.

Oregon State University, located in Corvallis about 30 miles south of the District, offers bachelor's, master's and doctoral degrees in a variety of fields. OSU is the state's primary source of basic applied research in forestry, agriculture, fisheries, engineering, electronics, home economics and the sciences.

Healthcare. Healthcare services are available at the Salem Hospital, a not-for-profit hospital licensed for 454 acute-care beds. Salem Hospital employs approximately 3,500 full and part-time employees including 465 physicians representing 46 different specialties.

Select Property Tax Information

The following tables represent historic property tax information for the City of Keizer.

City of Keizer Taxable Property Values

Fiscal Year	Real Market Value ⁽¹⁾	Total Assessed Valuation	Urban Renewal Excess	AV Used to Compute Rate ⁽²⁾
2008	\$ 2,840,167,275	\$ 1,844,028,175	\$ 235,295,966	\$ 1,608,732,209
2007	2,389,140,354	1,738,775,680	191,219,571 ⁽³⁾	1,547,556,109
2006	2,094,632,132	1,650,167,242	264,634,583	1,385,532,659
2005	1,916,283,677	1,575,976,967	245,824,610	1,330,152,357
2004	1,786,015,046	1,501,485,546	231,261,792	1,270,223,754
2003	1,711,291,743	1,437,311,312	218,897,960	1,218,413,352

- (1) Value represents the Real Market Value of taxable properties, including the reduction in Real Market Value of specially assessed properties such as farm and forestland. This value is also commonly referred to as the "Measure 5 Real Market Value" by county assessors.
- (2) Assessed value of property in the City of Keizer on which the permanent rate is applied to derive *ad valorem* property taxes, excluding urban renewal and any other offsets.
- (3) The City adopted an urban renewal plan amendment and reduced the size of the urban renewal district by approximately one-third, which reduced the amount of the urban renewal excess.

Source: Marion County Department of Assessment and Taxation.

Marion County Tax Collection Record⁽¹⁾

Fiscal Year	Percent Collected as of Levy Year ⁽²⁾	6/30/2007 ⁽³⁾
2007	96.89%	96.89%
2006	96.84%	98.86%
2005	96.35%	99.32%
2004	96.06%	99.65%
2003	95.51%	99.90%

- (1) Percentage of total tax levy collection in the County. Pre-payment discounts are considered to be collected when outstanding taxes are calculated. The tax rates are before offsets.
- (2) The percentage of taxes collected in the "year of the levy" represents taxes collected in a single levy year, beginning July 1 and ending June 30.
- (3) The percentage of taxes shown in the column represents taxes collected cumulatively from July 1 of a given levy year through June 30, 2007.

Source: Marion County Department of Assessment and Taxation.

The following table presents the Fiscal Year 2008 tax rates for the City and other taxing jurisdictions within the County that overlap the City. The City's Operating Tax Rate Limit is \$2.0838 per \$1,000 of assessed property value. The Operating Tax Rate Limit was calculated in conjunction with the implementation of Measure 50 in 1997. After the Oregon Supreme Court ruling in *Shilo Inn v. Multnomah County* the county assessor began to report billing rates. The permanent rates shown in the following table are the rates that are actually applied to the assessed value of the taxing district. The permanent rates may be different from the Operating Tax Rate Limit of the taxing district due to the decision by the taxing district to levy less than its Operating Tax Rate Limit.

**Fiscal Year 2008 Representative Levy Rate
(Rates Per \$1,000 of Assessed Value)**

General Government	Billing Rate	Bond Levy Rate	Local Option Rate⁽¹⁾	Consolidated Rate	Urban Renewal Portion of the Consolidated Rate⁽²⁾
Marion County	\$ 3.0252	\$ 0.0000	\$ 0.0000	\$ 3.0252	\$ 0.3860
City of Keizer	2.0838	0.0000	0.0000	2.0838	0.2658
Marion Soil and Water District	0.0500	0.0000	0.0000	0.0500	0.0063
Keizer Fire District	1.3526	0.1484	0.3500	1.8510	0.2149
Regional Library	0.0818	0.0000	0.0000	0.0818	0.0104
Salem Mass Transit	0.7609	0.0000	0.0000	0.7609	0.0970
Total General Government	7.3543	0.1484	0.3500	7.8527	0.9804
Education					
Chemeketa Community College	0.6259	0.0727	0.0000	0.6986	0.0890
Willamette Regional ESD	0.2967	0.0000	0.0000	0.2967	0.0378
Salem-Keizer School District	4.5210	1.9407	0.0000	6.4617	0.8244
Total Education	5.4436	2.0134	0.0000	7.4570	0.9512
Total Tax Rate	\$ 12.7979	\$ 2.1618	\$ 0.3500	\$ 15.3097	\$ 1.9316

NOTE: County assessors report levy rates by tax code. Levy rates apply to the assessed property value. Tax rate limitations are based on the Taxable Real Market Value and are only reported in total dollar amount of compression, if any, for each taxing jurisdiction (see "Tax Rate limitation – Real Market Value" herein).

- (1) Local Option Levies are voter-approved serial levies. They are limited by ORS 280.060 to five years for operations or ten years for capital construction. Local Option Levy rates compress to zero before there is any compression of district billing rates (see "Tax Rate Limitation – Real Market Value" herein).
- (2) A portion of a taxing district's consolidated rate is contributed to the Keizer Urban Renewal Agency's River Road plan area through tax increment financing.

Source: Marion County Department of Assessment and Taxation. Note that there are 10 tax codes in the County that overlap the City and Tax Code 9245222 has the highest property value of these tax codes. Total tax levies in the City range from \$14.3697 to \$15.9678 per \$1,000 of assessed property value. The majority of total levy rates are \$15.3097.

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**Major Taxpayers in the City of Keizer
(As of Fiscal Year 2008)**

Taxpayer	Business/Service	Tax	Assessed Value ⁽¹⁾	Percent of Value
Northwest National LLC	Keizer Station Development	\$ 539,621	\$ 35,247,020	1.91%
Northwest Natural	Utility	201,357	13,083,300	0.71%
Lowes Home Improvement Warehouse	Building materials	177,196	11,574,092	0.63%
Portland General Electric	Utility	175,686	11,411,000	0.62%
Target Corporation	Retail	152,011	9,929,046	0.54%
Keizer Campus LLC (Avamere Court)	Nursing Care Facilities	133,388	8,712,650	0.47%
Keizer Road Apartments LLC	Apartments	116,497	7,597,520	0.41%
Qwest Corporation	Telecommunications	108,404	7,075,400	0.38%
Keizer Hospitality Inc.	Hotel	102,018	6,663,630	0.36%
K-Village	Commercial property	94,568	5,843,710	0.32%
Subtotal - ten of City's largest taxpayers			117,137,368	6.35%
All other City taxpayers			1,726,890,807	93.65%
Total City			<u>\$ 1,844,028,175</u>	<u>100.00%</u>

(1) Assessed value does not exclude offsets such as urban renewal and farm tax credits.

Source: Marion County Department of Assessment and Taxation.

Tax Matters

In the opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Bond Counsel, interest on the 2008 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the 2008 Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations.

Federal income tax law contains a number of requirements that apply to the 2008 Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the use of proceeds of the 2008 Bonds and the facilities financed or refinanced with proceeds of the 2008 Bonds and certain other matters. The City has covenanted to comply with all applicable requirements.

Bond Counsel's opinion is subject to the condition that the City comply with the above-referenced covenants and, in addition, will rely on representations by the City and its advisors with respect to matters solely within the knowledge of the City and its advisors, respectively, which Bond Counsel has not independently verified. If the City fails to comply with such covenants or if the foregoing representations are determined to be inaccurate or incomplete, interest on the 2008 Bonds could be included in gross income for federal income tax purposes retroactively to the date of issuance of the 2008 Bonds, regardless of the date on which the event causing taxability occurs.

Except as expressly stated in this Tax Matters section, Bond Counsel expresses no opinion regarding any other federal income tax consequences of acquiring, carrying, owning or disposing of the 2008 Bonds. Owners of the 2008 Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the 2008 Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

Prospective purchasers of the 2008 Bonds should be aware that ownership of the 2008 Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or

continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the 2008 Bonds. Bond Counsel expresses no opinion regarding any collateral tax consequences. Prospective purchasers of the 2008 Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Payments of interest on tax-exempt obligations, such as the 2008 Bonds, are in many cases required to be reported to the Internal Revenue Service (the "IRS"). Additionally, backup withholding may apply to any such payments made to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Bond Counsel's opinion is not a guarantee of result and is not binding on the IRS; rather, the opinion represents Bond Counsel's legal judgment based on its review of existing law and in reliance on the representations made to Bond Counsel and the City's compliance with its covenants. The IRS has established an ongoing program to audit tax-exempt obligations to determine whether interest on such obligations is includable in gross income for federal income tax purposes. Bond Counsel cannot predict whether the IRS will commence an audit of the 2008 Bonds. Owners of the 2008 Bonds are advised that, if the IRS does audit the 2008 Bonds, under current IRS procedures, at least during the early stages of an audit, the IRS will treat the City as the taxpayer, and the owners of the 2008 Bonds may have limited rights to participate in the audit. The commencement of an audit could adversely affect the market value and liquidity of the 2008 Bonds until the audit is concluded, regardless of the ultimate outcome.

Qualified Tax-Exempt Obligations

The City has *not* designated the 2008 Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3)(B) of the Code.

State of Oregon Tax Exemption

In the opinion of Bond Counsel, interest on the 2008 Bonds is exempt from Oregon personal income tax under existing law. Tax legislation, administrative actions taken by tax authorities and court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the 2008 Bonds under federal or state law and could affect the market price for, or marketability of, the 2008 Bonds. For example, in *Davis v. Dep't of Revenue of the Finance and Admin. Cabinet*, 197 S.W. 3d 557 (Ky. App. 2006), *cert. granted* 127 S.Ct 2451 (2007), the Court of Appeals for the Commonwealth of Kentucky held that provisions of Kentucky tax law that provided more favorable income tax treatment for holders of bonds issued by Kentucky municipal bond issuers than for holders of non-Kentucky municipal bonds violated the Commerce Clause of the United States Constitution. If the United States Supreme Court affirms the holding of the Court of Appeals for the Commonwealth of Kentucky, subsequent action by the Oregon Legislative Assembly designed to ensure the constitutionality of tax law in Oregon could, among other alternatives, adversely affect the Oregon tax-exemption of the 2008 Bonds, or result in the granting of Oregon tax-exemption on bonds issued by other states and their political subdivisions. Any subsequent action by the Oregon Legislative Assembly could affect the market price or marketability of the 2008 Bonds. It is not possible to predict how the United States Supreme Court will decide the *Davis* case or to predict any change in State law that would be occasioned by the United States Supreme Court's affirmation of the *Davis* decision.

Legal and Miscellaneous

Approval of Counsel

Certain legal matters incident to the authorization, issuance and sale of 2008 Bonds by the City are subject to the approving legal opinion of Kirkpatrick & Lockhart Preston Gates Ellis LLP, Portland, Oregon, Bond Counsel to the City, substantially in the form attached hereto as Appendix A. Bond Counsel has reviewed this document only to confirm that the portions of it describing the 2008 Bonds and the authority to issue them conform to the 2008 Bonds and the applicable laws under which they are issued.

Litigation

There is no litigation pending questioning the validity of the 2008 Bonds nor the power and authority of the City to issue the 2008 Bonds. There is no litigation pending which would materially affect the finances of the City or affect the City's ability issue the 2008 Bonds.

Continuing Disclosure Undertaking

The Securities and Exchange Commission has published amendments to Rule 15c2-12 (the "Rule") that require at least annual disclosure of current financial information and timely disclosure of certain events with respect to the 2008 Bonds, if material. Pursuant to the Rule, the City has agreed to provide to each nationally recognized municipal securities information repository and to the appropriate state information depository, if any, audited financial information of the City and certain financial information or operating data. In addition, the City has agreed to provide to the Municipal Securities Rulemaking Board and to any state information repository, notice of certain events, pursuant to the requirements of Section (b)(5)(i) of the Rule.

The City has not failed to comply in the past five years with any prior undertaking under the Rule. A copy of the City's Continuing Disclosure Certificate is attached hereto as Appendix D.

Financial Advisor

In connection with the authorization and issuance of the 2008 Bonds, the City has retained Seattle-Northwest Securities Corporation, Portland, Oregon, as its financial advisor (the "Financial Advisor").

The Financial Advisor is not obligated to undertake, and has not undertaken, either to make an independent verification of or to assume responsibility for, the accuracy, completeness, or fairness of the information contained in this Official Statement.

Underwriting

The 2008 Bonds are being purchased by D.A. Davidson & Co., the Underwriter. The purchase contract provides that the Underwriter will purchase all of the 2008 Bonds, if any are purchased, at a price of 99.5235 percent of the par value of the 2008 Bonds, plus accrued interest. The 2008 Bonds will be reoffered at an average price of 100 percent of the par value of the 2008 Bonds. After the initial public offering, the public offering prices may be varied from time to time.

Concluding Statement

The City will execute a certificate on the Date of Delivery confirming that the information in this Official Statement, except for matters relating to DTC and the Paying Agent, does not contain any untrue statement of a material fact or omit any statement or information which is necessary to make the statements therein, in the light of the circumstances under which made, not misleading. The information contained herein should not be construed as representing all conditions affecting the City or the 2008 Bonds. Additional information may be obtained from the City. The statements relating to the Resolution and Declaration are in summarized form, and in all respects are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

The information assembled herein is not to be construed as a contract with Owners of the 2008 Bonds.

APPENDIX A

Form of Bond Counsel Opinion

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May 21, 2008

City of Keizer
930 Chemawa Road NE
Keizer, Oregon 97303

D.A. Davidson & Company
701 Fifth Avenue, Suite 3100
Seattle, Washington 98104-7038

Subject: \$26,810,000 City of Keizer, Oregon, Assessment Full Faith and Credit Bonds
Series 2008 (Keizer Station Area A Local Improvement District)

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the City of Keizer, Oregon (the "City") of its Assessment Full Faith and Credit Bonds, Series 2008 (Keizer Station Area A Local Improvement District) (the "Bonds"), which are in the aggregate principal amount of \$26,810,000. The Bonds are authorized by Oregon Revised Statutes Chapters 223 and 287A, the City Charter, City Resolution R2008-1857 adopted April 21, 2008, and a Bond Declaration dated as of the date of delivery of the Bonds. We have examined the law and such certified proceedings and other documents as we deem necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on representations of the City in the Bond Resolution and in the certified proceedings and on other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any of the preliminary official statement, the official statement or other offering materials relating to the Bonds, and we express no opinion relating thereto.

Based on the foregoing, we are of the opinion that, under existing law:

1. The Bonds have been legally authorized, sold and issued under and pursuant to the Constitution and Statutes of the State of Oregon and the Charter of the City. The Bonds constitute valid and legally binding obligations of the City enforceable in accordance with their terms. The City has pledged its full faith and credit to the payment of the Bonds. The Bond Declaration also pledges the Assessment Payments and amounts held in the 2008 Bond Debt Service Account and 2008 Bond Reserve Account as provided in the Bond Declaration.

2. Interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Bonds is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinion set forth in the preceding sentence is subject to the condition that the City comply with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that the interest on the Bonds be, and continue to be, excludable from gross income for federal income tax purposes. The City has covenanted to comply with all applicable requirements. Failure to comply with these covenants may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

3. Interest on the Bonds is exempt from Oregon personal income tax.

We note that the City has not designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code.

Except as expressly stated above, we express no opinion regarding any other federal or state income tax consequences of acquiring, carrying, owning or disposing of the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds, which may include original issue discount, original issue premium, purchase at a market discount or at a premium, taxation upon sale, redemption or other disposition, and various withholding requirements.

This opinion is based on existing law and we assume no obligation to update or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur or become effective.

The portion of this opinion that is set forth in paragraph 1, above, is qualified only to the extent that enforceability of the Bonds may be limited by or rendered ineffective by (i) bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium and other similar laws affecting creditors’ rights generally; (ii) the application of equitable principles and the exercise of judicial discretion in appropriate cases; (iii) common law and statutes affecting the enforceability of contractual obligations generally; (iv) principles of public policy concerning, affecting or limiting the enforcement of rights or remedies against governmental entities such as the City.

This opinion is provided to you as a legal opinion only, and not as a guaranty or warranty of the matters discussed herein. No opinions may be inferred or implied beyond the matters expressly stated herein. No qualification, limitation or exception contained herein shall be construed in any way to limit the scope of the other qualifications, limitations and exceptions. For purposes of this opinion, the terms “law” and “laws” do not include unpublished judicial decisions, and we disclaim the effect of any such decision on this opinion. This opinion speaks as of its date only, and we disclaim any undertaking or obligation to advise you of any changes that hereafter may be brought to our attention or any change in law that may hereafter occur.

This opinion is given solely for your benefit in connection with the above referenced bond financing and may not be relied on in any manner or for any purpose by any person or entity other than the addressees listed above and the owners of the Bonds, nor may copies be furnished to any other person or entity, without the prior written consent to Kirkpatrick & Lockhart Preston Gates Ellis LLP.

We have served only as bond counsel to the City in connection with the Bonds and have not represented any other party in connection with the Bonds. Therefore, no attorney-client relationship shall arise by virtue of our addressing this opinion to persons other than the City.

This opinion is limited to matters of Oregon law and applicable federal law, and we assume no responsibility as to the applicability of laws of other jurisdictions.

Respectfully submitted,

KIRKPATRICK & LOCKHART PRESTON GATES ELLIS LLP

Lawyers

APPENDIX B

Financial Statements

The City's Auditor has not performed any further review of the City's general purpose financial statements since the date of the audit contained herein.

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CITY OF KEIZER
MARION COUNTY, OREGON
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
Year Ended June 30, 2007

Prepared by
City of Keizer - Finance Department
Susan Gahlsdorf, Finance Director

CITY OF KEIZER, OREGON
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CITY OF KEIZER, OREGON
JUNE 30, 2007

MAYOR

Lore Christopher
6598 Stone Mason Lane NE
Keizer, Oregon 97303

CITY COUNCIL

Jacque Moir
6745 McLeod Lane NE
Keizer, Oregon 97303

Richard Walsh
5945 Shoreview Lane N.
Keizer, Oregon 97303

James Taylor
1986 Meadowlark Drive NE
Keizer, Oregon 97303

David McKane
674 Fall Creek Drive N
Keizer, Oregon 97303

Troy Nichols
1085 Fir Cone Lane NE
Keizer, Oregon 97303

Cathy Clark
715 Ventura Street N.
Keizer, Oregon 97303

930 Chernawa Road NE
Keizer, Oregon 97303

CITY ATTORNEY

E. Shannon Johnson
Lien & Johnson

STAFF

CITY MANAGER
Chris Eppley

CHIEF OF POLICE
Marc Adams

CITY RECORDER
Tracy Davis

FINANCE DIRECTOR
Susan Gahlsdorf

HUMAN RESOURCES DIRECTOR
Dianne Hunt

COMMUNITY DEVELOPMENT DIRECTOR
Nathan Brown

PUBLIC WORKS DIRECTOR
Rob Kissler

Term Expires

January 2009

January 2009

January 2011

January 2011

January 2009

January 2009

January 2011



City of Keizer

Phone: (503) 390-3700 • Fax: (503) 393-9437
930 Chemawa Rd. N.E. • P.O. Box 21000 • Keizer, OR 97307-1000

December 17, 2007

Citizens of Keizer
The Honorable Mayor Lore Christopher
Members of the City Council
Christopher Eppley, City Manager

INTRODUCTION

The City of Keizer Finance Department is pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Keizer, Oregon for the fiscal year ended June 30, 2007. This report was prepared by the City's Finance Department. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and results of operation of the City as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain an understanding of the City's financial affairs have been included.

This report includes all funds of the City, as well as all organizations, which meet the criteria for inclusion in the report as set forth in Statement No. 14 of the Governmental Accounting Standards Board, *The Financial Reporting Entity*. The City of Keizer financial statements include the Keizer Urban Renewal Agency as a blended component unit.

This report consists of management's representations concerning the finances of the City. Consequently, responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with management. To provide a reasonable basis for making these representations, management has established an internal control structure designed to safeguard City assets against loss, theft, or misappropriation, and to ensure the reliability of financial records for preparing financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP). The internal control structure has been designed to provide reasonable, but not absolute, assurance that these objectives are being met. The concept of reasonable assurance recognizes (1) the cost of the control structure should not exceed the benefits likely to be derived; and (2) the evaluation of cost and benefits require estimates and judgments by management.

We believe that the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. To the best of our knowledge and belief, the enclosed data is presented accurately, in all material respects, along with disclosures necessary to provide the reader with a reasonable understanding of the City's financial affairs.

The accounting firm of Grove, Mueller & Swank P.C performed an audit of our financial statements and other information using generally accepted auditing standards and Government Auditing Standards. Their unqualified opinion is included in the Financial Section of the report.

"Pride, Spirit and Volunteerism"

The CAFR is presented in four sections: Introductory, Financial, Statistical, and Reports Required by Statutes. The Financial Section, which is prepared in accordance with generally accepted accounting principles in the United States of America, includes the Management's Discussion and Analysis (MD&A).

The MD&A immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. It provides additional information to this letter and this letter should be read in conjunction with it.

THE CITY

The City of Keizer, Marion County, Oregon is a financially independent entity, governed by an elected Mayor and a six member Council, all of which are volunteers. The City employs 41 sworn police officers including the Chief, 2 captains and 7 sergeants. There are 8 clerical and technical employees who support the Police Department functions. At City Hall, the department heads include the City Manager, Public Works Director, Finance Director, Human Resources Director, Community Development Director and City Recorder. Additionally, there are 35 clerical and technical employees who support the City Hall departments and programs. There is a collective bargaining agreement with the Keizer Police Association and the Municipal Utility Workers' Local 320.

In June 1997, the City revised its tax base for the first time since 1986. Shortly thereafter, Oregon's tax system was overturned by Ballot Measure 50 and like all Oregon cities, Keizer had a permanent tax rate, replacing the existing tax base. The tax rate is constrained by the effects of Measure 5, which limits the consolidated tax rate that local governments can charge plus Measure 50, which limits growth in assessed value and places a tax rate limit that can be charged on each parcel of taxed property. The City's permanent levy rate is \$2.0838 per thousand. This amount will be applied to the taxable assessed value on the roll. The assessed value growth is limited to 3% plus any new construction, remodeling, or value increases due to property sales. In Fiscal Year 2007 the City's net value increased 5.3% overall and a 15.0% increase within the Urban Renewal District.

In 1996, a privately owned business came to the Willamette Valley proposing to bring minor league baseball to the area. The Keizer City Council leaped at the opportunity to have the ball club in town. Through its Urban Renewal District, Keizer entered into a partnership with this private business and, in a short 18-months, Keizer had built a state of the art facility adjacent to Interstate 5. The stadium is now a major anchor for what has become the Keizer Station commercial, industrial and mixed-use center.

The Keizer Station is a large mixed use development on 237-acres of ground adjacent to Interstate 5 exit 260. It has been in the making for over two decades and will provide thousands of jobs, an increased tax base and needed commercial retail opportunities for the citizens of Keizer. The project, under construction during fiscal year 2007 is now completed.

The City provides basic services. These services include police, municipal court, street construction and maintenance, water reservoirs, wells and water lines, storm drainage, land use planning and zoning, public improvements, parks and administrative services. The City contracts with the City of Salem, Oregon for maintenance of its sanitary sewer system and administers the billing function for use of this facility. The City also manages and operates the Keizer Urban Renewal District. The District was created in 1993 to strengthen the overall economic health of the commercial corridors, and enhance aesthetic appeal and safety within the District. The Area is a blended component unit of the City and is therefore an integral part of the City's reporting entity.

ECONOMIC CONDITION AND OUTLOOK

The City of Keizer was established in 1982. The first tax base was passed in November 1986 totaling \$447,810. The area that is now the City of Keizer was scarcely populated until the 1950's. By 1960, over 5,000 people resided in the area and as the 1980's arrived, so had another 7,000 people. Keizer is now the 14th largest city by population in the State of Oregon.

When the City incorporated in 1982, the City limits were aligned adjacent to the urban growth boundaries leaving little opportunity for annexation. In fact, the three annexations combined increased the City's area less than one-hundredth of one square mile.

The City of Keizer's central Willamette Valley location has directed the economic base toward local service. The majority of the workforce that resides within the City commutes into Salem or the Portland Metro area. The Keizer-Salem economy has shown a steady ability to produce jobs. The area has three primary industries including services, technology/manufacturing and government.

Review of the economic statistics presented in the statistical section of this Comprehensive Annual Financial Report shows the growth in population and residential building permits which point to a region with a stable and growing economy. However, because the City limits about the urban growth boundaries, new construction will slow over the next ten years as infill is completed.

MAJOR INITIATIVES

The City Council has adopted both short and long-term goals to provide a framework to meet the needs of our community. Short-term goals are defined as those that can be completed within 24-months. Below is a summary of each goal and a status report for each short-term goal.

Short Term Goals (Not Prioritized)

Goal to Complete Civic Center Improvement Building Project: Complete design of, bid, and construct City Hall and Police Department Facilities.

- ◆ Complete design of City Hall and Police Department Facilities
- ◆ Let Bids for General Contractor to Construct Facilities
- ◆ Complete Construction of New Facilities in a Timely Manner

Task	Next Steps	Who	% Goal	FY	Update
Complete Design of City Hall and Police Department	◆ Staff and Citizen Task Force work with Architects to develop a design and construction docs.	City Manager ProjectMgr Dept. Heads City Council Task Force	40	2007	11-19-07 - 90% documents are currently being reviewed and bid documents are being developed. For all intents and purposes, this task is complete.
Let Bids for GC to Construct Facility	◆ Develop Construction Docs ◆ Pre-quality potential GC firms ◆ Issue bid docs ◆ Let bid to successful GC	City Manager ProjectMgr Police Chief PW Director	50	2008	11-19-07 - Bid documents are set to be advertised in the middle of December of 2007.
Complete Construction	◆ Work to complete	City Manager	10	08-09	11-19-07 - Ground breaking on the new

- iv -

in a timely manner

construction on time and within budget

ProjectMgr PW
Director
Police Chief

building is anticipated to be March of 2008.

Total % of Goal Completed to date

40

Goal to Initiate a Something Special Task Force: Council to initiate Something Special Task force to review options for and make recommendations to Council on options regarding community needs for a community center and kids recreational space, and options regarding use of 5-acre City owned parcel North of Stadium.

- ◆ Develop options to meet community need for community center
- ◆ Develop options to meet community need for kids recreational space
- ◆ Develop options to use 5-acre parcel owned by the City located just north of the Volcano Stadium in the Kelzer Station area.

Task	Next Steps	Who	% Goal	FY	Update
Develop options for meeting community need for Community Center	◆ Council initiates Something Special task force ◆ Task force meets to discuss options to meet stated community goal for community center space ◆ Task force makes recommendation to City Council	Task Force City Council	33	2007	3-22-07 - Task force has met and has formulated a recommendation that it will be presenting to the City Council shortly.
Develop options for meeting community need for Kids recreational space	◆ Task force meets to discuss options to meet stated community goal for kids recreational space ◆ Task force makes recommendation to City Council	Task Force City Council	33	2007	12-07-07 - The task force has met and discussed all of the issues it was tasked to deliberate.

Task	Next Steps	Who	% Goal	FY	Update
Develop options for use for City owned property just north of Stadium	◆ Task force meets to discuss options to utilize 5-acre City owned parcel of ground just north of Volcano Stadium. ◆ Task force makes recommendation to City Council	Task Force City Council	34	07-08	12-07-07 - The task force has submitted a set of recommendations to the City Council. The City Council has accepted the recommendations for consideration. The task force has been disbanded having completed its mission.

Total % of Goal Completed to date

100

- v -

Goal to Expand Current Programming of Keizer-23 PEG Channel: Goal for K-23 Task Force to further develop PEG programming offered to Keizer Citizens on Comcast cable channel 23.

- ♦ Develop PEG programming on K-23
- ♦ Develop guidelines for programming on K-23
- ♦ Dissolve task force and initiate standing committee to oversee K-23

Task	Next Steps	Who	% Goal	FY	Update
Develop PED programming on K-23	♦ K-23 task force meets periodically to explore additional programming possibilities for K-23	Task Force City Manager City Attorney City Council	33	2007	3-22-07 - Task force has met periodically and had developed a number of ideas to expand the amount and type of programming available on K-23.
Develop guidelines and policies for programming on K-23	♦ K-23 task force meets periodically to develop a set of policies and guidelines for public use of K-23	Task Force City Manager City Attorney City Council	33	2007	12-03-07 - A draft policy was submitted to the City Council along with the final report of the task force. When the K23 Advisory Committee is formed, they will use these policies to accomplish their mission.
Dissolve task force and initiate standing over site committee	♦ Dissolve existing task force ♦ Appoint new standing committee to provide long-term direction and over site of the development of K-23 over time	Task Force City Manager City Attorney City Council	34	07-08	12-03-07 - The task force was dissolved in November of 2007 and the permanent advisory committee will be established by City Council Resolution in January of 2008.

Total % of Goal Completed to date **100**

Goal to Complete and Adopt Updated Personnel Policies: Goal to work with the City Council Personnel Policy Committee to review and adopt an updated set of personnel policies for the City of Keizer.

- ♦ Present Updated Personnel Policies to City Council Personnel Rules Committee
- ♦ Submit updated Personnel Policies to City Council for approval.

Task	Next Steps	Who	% Goal	FY	Update
Update existing personnel policies	♦ HR Director and Department Heads work with Council Personnel Policy Committee to review policies and recommend changes for Council adoption	HR Director City Manager Dept. Heads City Council	90	2007	12-03-07 - All policies have been submitted to the Personnel Rules Committee and all but three have been approved to be sent to the full City Council.
City Council approval of updated personnel policies	♦ City Council reviews and adopts changes to personnel policies	HR Director City Manager Dept. Heads City Council	10	2007	3-22-07 - Many of the reviewed policies have been reviewed and approved by City Council as they've been approved by the Personnel Rules Committee.

Total % of Goal Completed to date **85**

Goal to Develop Strategy to Prioritize and Solicit Specific Applications for UR Grants on River Road: Develop a strategy to identify and prioritize appropriate Urban Renewal Grant sites for sidewalk, landscaping and/or façade improvements within the River Road corridor that will further the goals developed by the River Road Renaissance Committee and the adopted Urban Renewal plan.

- ♦ Identify and prioritize potential sites for Urban Renewal sidewalk, landscaping and/or façade improvement grants
- ♦ Prioritize these sites
- ♦ Develop and execute an outreach program to encourage the owners of these specific sites to apply for said grants and make investment in their properties
- ♦ Issue grants until funding is exhausted

Task	Next Steps	Who	% Goal	FY	Update
Identify potential grant sites	♦ Take inventory of properties within the Urban Renewal district along River Road that would benefit from investment and promote the goals of the River Road Renaissance Committee and the adopted Urban Renewal plan	Planning Dir 3RAC KURB City Council	20	2007	12-07-07 - Work has not yet begun on this task.
Prioritize identified potential grant sites	♦ Work with Urban Renewal Advisory Board and River Road Renaissance Committee to prioritize these potential sites	Planning Dir 3RAC KURB City Council	20	2007	12-07-07 - Work has not yet begun on this task.
Create and execute outreach program	♦ Determine the best way to contact the owners of those sites that are believed to be high-value projects ♦ Make contact with site owners and attempt to gain approval for potential project partnerships	Planning Dir 3RAC KURB City Council	20	07-08	12-07-07 - Work has not yet begun on this task.
Issue grants until funding is exhausted	♦ Work with KURB to negotiate grant proposals and enter into development contracts	Planning Dir 3RAC KURB City Council	40	07-09	12-07-07 - Work has not yet begun on this task.

Total % of Goal Completed to date **0**

Goal to Complete Short-Term Projects in Public Works Master Plan: Develop a strategy to complete those items listed in the Public Works master plan in relation to Parks, Storm Water, Sewer and Transportation.

- ♦ Complete short term goals listed in the Public Works Master Plan related to parks
- ♦ Complete short term goals listed in the Public Works Master Plan related to storm water
- ♦ Complete short term goals listed in the Public Works Master Plan related to sewers
- ♦ Complete short term goals listed in the Public Works Master Plan related to transportation

Task	Next Steps	Who	% Goal	FY	Update
Complete short term Parks goals	<ul style="list-style-type: none"> ♦ Adopt a Parks Level of Service Plan and Organizational Structure - Budget 2007 ♦ Explore funding plans and partnerships to support level of service ♦ Adopt an up-dated Parks & Recreation Master Plan ♦ Open Keizer Rapids Park with improvements for safe public use - Soft Opening July 2007 ♦ Adopt prioritized parks project schedule for two year period - Budget 2007 	PW Director City Manager City Council Parks Board	25	07-09	12-07-07 - The Parks Master Plan is scheduled for a Public Hearing in front of the City Council at the 2 nd Council meeting in January of 2008.
Complete short term Storm Water goals	<ul style="list-style-type: none"> ♦ Adopt Level of Service plan for Storm Water - December 2007 ♦ Implement Storm Water Management Plan - December 2007 	PW Director City Manager City Council SWTaskForce	25	07-09	4-11-07 - Consultant has been retained and Storm Water task force has been appointed. FY 07-08 budget is being developed. This will lead to a level of service plan for this goal.
Complete short term Sewer goals	<ul style="list-style-type: none"> ♦ Develop Level of Service Plan ♦ Improve coordination and dialogue with Salem on future Sewer Capitol Improvement Projects (CIP) ♦ Monitor surcharge issue and work towards elimination 	PW Director City Manager City Council	25	07-09	12-07-07 - Dialogue with the City of Salem on the sewer surcharge has resulted in a recommendation from the Salem Water and Waste Water Task Force to the Salem City Council that the sewer surcharge be eliminated as proposed by Keizer. This matter is scheduled for the Salem City Council shortly.
Complete short term Transportation goals	<ul style="list-style-type: none"> ♦ Complete update of the Transportation Systems Plan (TSP) and identify options for additional north-south corridor and additional or enhanced freeway access. Enhance freeway access and connection to collector routes ♦ Identify projects and timelines to meet Transportation Systems Plan ♦ Support Third Bridge Concept that connects the Parkway to Highway 22 	City Manager PW Director Com Dev Dir. City Council Plan. Comm	25	07-09	12-07-07 - work on the Keizer TSP has begun. Keizer is well represented on the regional task force discussing the 3 rd bridge over the Willamette and discussions are continuing. Discussions with Marion County and ODOT regarding a northern I-5 interchange for Keizer occurs whenever practicable.
Total % of Goal Completed to date			0		

Goal to Complete a Library Survey and Determine Future Direction: Goal to hire a professional library consultant to determine citizen wants and level of support for various types of library services. Once Council has this information, they can determine our future direction in relation to a City library.

- ♦ Develop RFP for Library Consultant
- ♦ Work with Consultant to complete library survey
- ♦ Interpret results of survey and determine future direction for library service in Keizer

Task	Next Steps	Who	% Goal	FY	Update
Develop RFP for Library Consultant	<ul style="list-style-type: none"> ♦ Develop RFP ♦ Publish RFP ♦ Evaluate proposals ♦ Select consultant 	City Manager Library Task Force City Council	33	2007	12-03-07 - Ruth Metz and Associates was selected as the consultant for this project.
Work with consultant to complete library survey	♦ Work with consultant to develop and implement library survey to Keizer residents	City Manager Library Task Force City Council	33	2007	12-03-07 - A survey has been developed and is slated to be administered to Keizer residents this month.
Interpret results of	♦ Task force makes recommendation to City Council	Task Force City Council	34	07-08	4-11-07 - Work has not yet begun on this task.
Total % of Goal Completed to date			66		

Goal to Explore Opportunities to Improve Public Safety: Goal to look for opportunities as they arise to improve public safety through any and all means. This could be related to law enforcement, transportation, safety through environmental design, or other methods of improving public safety.

- ♦ Evaluate internal structure of PD and regional law enforcement partnerships that can enhance public safety
- ♦ Promote safety through environmental design as development occurs
- ♦ Explore ways to improve the transportation system in Keizer to make it safer for the public

Task	Next Steps	Who	% Goal	FY	Update
Evaluate internal structure of PD and law enforcement partnerships	<ul style="list-style-type: none"> ♦ Continue to evaluate our internal structure and needs at the PD to provide effective policing ♦ Continue to evaluate regional law enforcement partnerships we can be involved in that will provide improved public safety for Keizer residents 	Police Chief City Manager City Council Budget Committee	33	07-09	4-11-07 - Work is ongoing
Promote safety through environmental design concepts	♦ Work with developers/builders to promote safety through environmental design concepts while evaluating building permit applications and subdivision plats.	Comm Dev Dir	33	07-09	4-11-07 - Work is ongoing
Explore ways to improve transportation	<ul style="list-style-type: none"> ♦ Update TSP ♦ Work with Traffic Safety Commission to keep identifying 	Plan Comm Comm Dev Dir City Manager	34	07-08	12-7-07 - The TSP review is in process.

Long Term Goals (not prioritized)

1. **UGB: Explore and determine policy and direction for Urban Growth Boundary**
2. **Complete and end Urban Renewal District on or before 2012**
3. **Complete implementation of Public Works Department Strategic Plan**
 - TRANSPORTATION**
 - ◆ Develop a congestion management plan.
 - ◆ Improve substandard streets & sidewalks on major routes.
 - ◆ Develop a transportation funding strategy with cooperation of regional partners.
 - ◆ Outreach and information for Neighborhood Local Improvement District for sidewalks, curbs, gutters, and lighting and encourage improvements in high blight and high crime areas.
 - PARKS**
 - ◆ Determine recreational programming
 - ◆ Complete Improvements in Parks Master Plan
 - ◆ Explore additional parks land and/or facilities or Partnerships to support Parks Master Plan and future needs
 - ◆ Explore opportunities for additional parks and green space including linear green space and path opportunities.
 - STORM WATER**
 - ◆ Update master plan.
 - ◆ Develop funding mechanism for Storm Water services for future permits by December 2007.
 - ◆ Fully implement Storm Water Management Plan and prepare for future regulations.
 - SEWER**
 - ◆ Identify and prioritize capital improvement requirements.
 - WATER**
 - ◆ Increase backup agreement with Salem to 10 million gallons per day through an intergovernmental agreement.
 - ◆ Develop a source water protection program.
4. **Explore and Initiate programs to enhance economic development and tourism.**
5. **Initiate an Interchange Area Management Plan within 3 years.**

FINANCIAL INFORMATION

ACCOUNTING SYSTEM AND BUDGETARY CONTROL

The City is required by state law to budget all funds. The budgeting process includes employee and citizen input through various stages of preparation, public hearings and adoption of the original budget by the City Council. Additional resources not anticipated in the original budget may be added through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers and adoption by the City Council. Original and supplemental budgets may be modified by the use of appropriation transfers between the cost categories. Such transfers require approval by the City Council.

Budgetary control is maintained at the fund and/or departmental level by comparison of estimated purchase amounts with adopted appropriations prior to placing purchase orders to vendors. The City Manager and the six Department Heads are responsible for ensuring their departments, funds and programs fall within appropriated amounts.

FINANCIAL PLANNING

The City prepares a long-range financial plan. The City uses this tool to analyze the fiscal impact of policy decisions, to plan spending levels, and to match those projections with available resources.

RETIREMENT PROGRAMS

The City enrolls all sworn officers and two City Hall employees in the Public Employees Retirement System of the State of Oregon. PERS acts as administrator of this pension plan. Employees that are not covered by PERS participate in a section 401(a) qualified pension plan. In addition, three deferred compensation plans are available for employees. These plans are provided through Nationwide, VALIC and ICMA/RC Deferred Compensation.

DEBT ADMINISTRATION

The City has received an A- rating on general obligation issues from Moody's Investors Service. The ratings awarded by Moody's are Aaa, Aa, A, Baa, Ba, B, Caa, C and Con. Ratings of A attached to an issue classify it as an issue possessing many favorable investment attributes and considered as an upper medium grade obligation. The City currently has no general obligation debt outstanding.

CASH MANAGEMENT

The Keizer City Council has adopted an investment policy through a Council resolution. Available investments include the State of Oregon Local Government Investment Pool, U.S. Government securities and certificates of deposit.

RISK MANAGEMENT

During fiscal year 2007, the City continued safety awareness programs throughout its operations. The programs include safety committees, training, equipment operation manuals and signs.

The City purchases commercial insurance for all commonly insured risks. All employee groups participate in the cost of medical and dental premiums. The City pays all long-term disability and life insurance premiums up to \$60,000 coverage.

INDEPENDENT AUDIT

The State of Oregon (ORS 297.405 to 297.555) requires an annual audit of the fiscal affairs of the City by independent public accountants selected by the City Council. This requirement has been complied with and the independent auditor's opinion has been included in this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Achievement of Excellence in Financial Reporting to the City of Keizer for its comprehensive annual financial report for the fiscal year ended June 30, 2006. This was the eighth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

Special recognition is given to the City's accountant, Debbie Engelhard whose hard work and dedication during the annual audit ensured the preparation of the Comprehensive Annual Financial Report on a timely basis. I also recognize and thank all other Departments within the City who provided supporting information for this report.

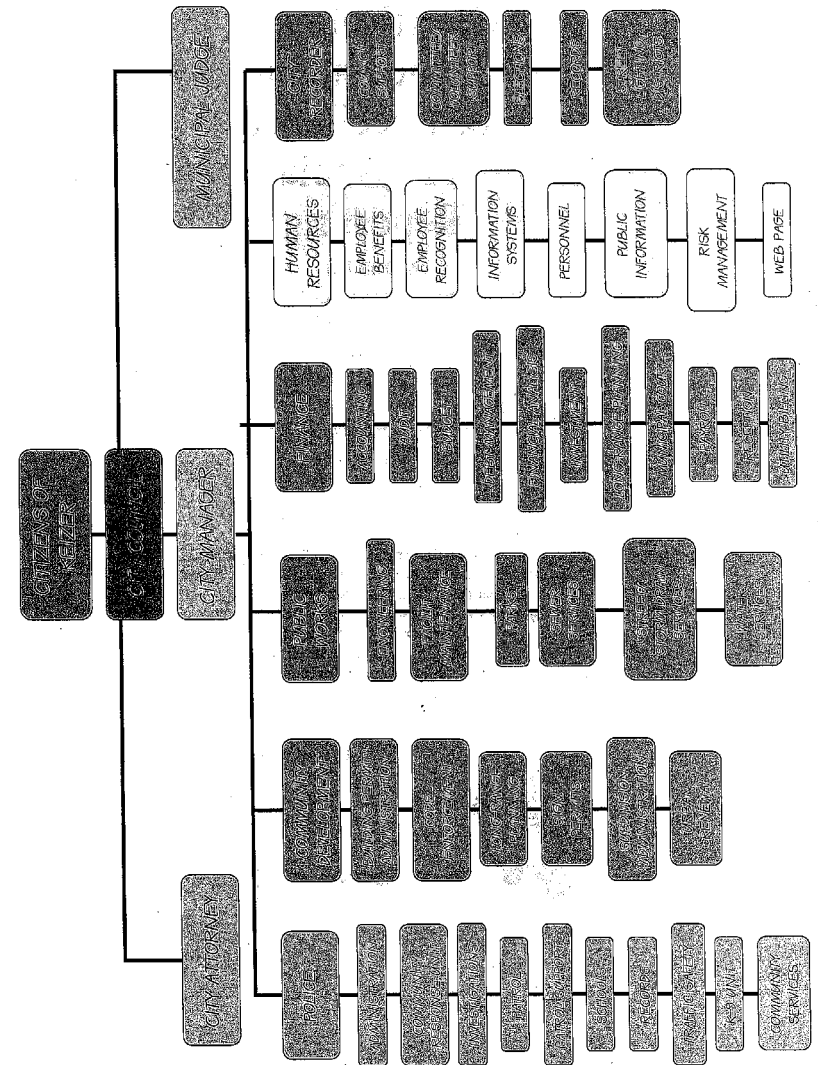
I would like to express my appreciation to the Mayor, City Council members, the Audit Committee, the Budget Committee, and the City Manager for their leadership, support and dedication, to ensure the sound financial operations of the City of Keizer. Preparation of this report would not have been successful without that support.

Respectfully submitted,

Susan Gahlsdorf

Susan Gahlsdorf, CPA
Finance Director

ORGANIZATIONAL STRUCTURE



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Keizer
Oregon

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

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GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Keizer
Keizer, Oregon

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keizer, Oregon as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Keizer, Oregon as of June 30, 2007 and the respective changes in financial position and its cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required and other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Keizer, Oregon. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

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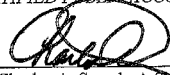
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Albany • P.O. Box 663 • 519 S. Lyon Street • Albany, Oregon 97321-0570 • (541) 967-2315 • FAX (541) 926-5926

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The data presented in the accompanying statistical and introductory sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such data.

GROVE, MUELLER, & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 
Charles A. Swank, A Shareholder
December 14, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fiscal Year Ended June 30, 2007

This discussion and analysis of the City of Keizer's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the accompanying transmittal letter (beginning on page ii) of the basic financial statements (beginning on page 15), and the accompanying notes to those financial statements (beginning on page 24).

THE FINANCIAL STATEMENTS

The financial statements presented herein include all of the activities of the City of Keizer (the City) and its component units using the integrated approach as prescribed by GASB Statement No. 34. The *government-wide financial statements* (pages 15-16) present the financial picture of the City from the economic resources measurement focus using the accrual basis of accounting. Governmental activities and business type activities are presented separately. These statements include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred as prescribed by Statement No. 34 in regards to interfund activity, payables and receivables.

The *fund financial statements* (pages 17-23) include statements for each of the categories of activities - governmental and proprietary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The proprietary activities are prepared using the economic resources measurement focus and the accrual basis of accounting. A reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

REPORTING THE CITY AS A WHOLE

The *Statement of Net Assets* and the *Statement of Activities* report financial information about the City as a whole and about its activities. These statements include *all* assets and liabilities of the City using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and the changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. Other factors to consider are changes in the City's property tax base and the condition of the City's infrastructure. In these statements, City activities are separated as follows:

Governmental activities - Most of the City's basic services are reported in this category, including the General Government, Police, Community Development, and Public Works. Property taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Business-type activities - The City's Water and Wastewater activities are reported in this category. The City charges a fee to customers to cover all or most of the cost of certain services it provides.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental funds - Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can readily be converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. The reconciliation of differences between the governmental fund financial statements and the government-wide financial statements is explained in a section following each governmental fund financial statement.

Proprietary funds - When the City charges customers for the services it provides - whether to outside customers or to other units of the City - these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements but provide more detail and additional information, such as cash flows.

FINANCIAL ACTIVITIES OF THE CITY AS A WHOLE

Government-wide Financial Statements

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets compared to the prior year.

For more detailed information, see the Statement of Net Assets (page 15).

Table 1
Statements of Net Assets
As of June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Cash and investments	\$ 9,365,898	\$ 8,050,440	\$ 4,500,313	\$ 5,378,290	\$ 13,866,211	\$ 13,428,730
Other assets	1,680,690	1,183,737	1,154,914	585,940	2,835,604	1,769,677
Capital assets	53,502,116	49,263,845	8,348,166	7,150,046	61,850,282	56,413,891
Total assets	64,548,704	58,498,022	14,003,393	13,114,276	78,552,097	71,612,298
Other liabilities	1,491,022	1,764,449	760,673	878,539	2,251,695	2,642,988
Long-term debt	25,313,000	21,308,000	2,465,000	2,600,000	27,778,000	23,908,000
Total liabilities	26,804,022	23,072,449	3,225,673	3,478,539	30,029,695	26,550,988
Net assets						
Investment in capital assets, net of debt	28,189,116	27,955,845	5,883,166	5,281,178	34,072,282	33,237,023
Restricted	2,557,208	3,197,412	-	-	2,557,208	3,197,412
Unrestricted	6,998,358	4,272,316	4,894,554	4,354,559	11,892,912	8,626,875
Total net assets	\$ 37,744,682	\$ 35,425,573	\$ 10,777,720	\$ 9,635,737	\$ 48,522,402	\$ 45,061,310

Governmental Activities

The City's net assets from governmental activities increased (improved) 7% from \$35.4 million to \$37.7 million. This increase is the change in net assets reflected in the Statement of Activities, shown in Table 2, and explained below:

- Cash and investments increased \$1.3 million
- Other assets increased \$497 thousand, primarily as a result of
 - An increase of \$561 thousand in accounts receivable,
 - A decrease of \$35 thousand in loans receivable.
- Capital assets increased \$4.2 million, primarily as a result of capital construction for the Keizer Station project.
- Long-term debt outstanding increased by \$4 million because of draw down of the line of credit for the Keizer Station project. The City expects to form a local improvement district and issue long-term debt to repay the line of credit during fiscal year 2008.

Business-type Activities

The City's net assets from business-type activities increased (improved) 12%, from \$9.6 million to \$10.8 million. This increase is the change in net assets reflected in the Statement of Activities, shown in Table 2, and explained below:

- Cash and investments decreased \$878 million
- Other assets increased \$569 thousand, primarily as a result of an increase of \$558 thousand in accounts receivables
- Capital assets increased \$1.2 million, as a result of
 - \$1.8 million for acquisition of capital assets
 - \$576 thousand of depreciation expense
- Other liabilities decreased \$139 thousand, primarily as a result of
 - An increase of \$127 thousand in accounts payables
- Long-term debt outstanding decreased \$135 thousand primarily as a result of the normal retirement of debt

Statement of Activities

The following table reflects the condensed Statement of Activities and compared to the prior year.

For more detailed information, see the Statement of Activities (page 16).

Table 2
Statements of Activities
For the years ending June 30, 2007 and 2006

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Program Revenues						
Fees, fees & charges for services	\$ 989,723	\$ 1,278,001	\$ 7,655,347	\$ 6,564,373	\$ 8,645,090	\$ 7,842,374
Operating grants and contributions	2,127,964	2,783,622	27,783	23,913	2,155,747	2,807,535
Capital grants and contributions	440,321	1,647,944	276,365	442,663	716,686	2,090,607
Total program revenues	3,558,008	5,709,567	7,959,515	7,030,949	11,517,533	12,740,516
General revenues						
Franchise taxes	2,283,966	2,156,426	-	-	2,283,966	2,156,426
Taxes and assessments	6,062,528	6,782,351	-	-	6,062,528	6,782,351
Intergovernmental	891,629	750,630	-	-	891,629	750,630
Miscellaneous	1,524,730	829,146	188,137	165,315	1,712,867	994,461
Gain (loss) on disposal of capital assets	-	-	(4,405)	-	(4,405)	-
Total general revenues	10,762,853	10,518,553	183,732	165,315	10,946,585	10,683,868
Total revenues	14,320,861	16,228,120	8,143,247	7,196,264	22,464,108	23,424,384
Expenses						
Programs	12,012,512	11,408,876	6,990,504	6,697,434	19,003,016	18,106,310
Increase in net assets before transfers	2,308,349	4,819,244	1,152,743	498,830	3,461,092	5,318,074
Transfers	10,760	7,230	(10,760)	(7,230)	-	-
Change in net assets	2,319,109	4,826,474	1,141,983	491,600	3,461,092	5,318,074
Beginning net assets	35,425,573	30,599,099	9,635,737	9,144,137	45,061,310	39,743,236
Ending net assets	\$ 37,744,682	\$ 35,425,573	\$ 10,777,720	\$ 9,635,737	\$ 48,522,402	\$ 45,061,310

Governmental Activities

The City's changes in net assets from governmental activities decreased 52%, from \$4.85 million to \$2.3 million. This decrease in the changes in net assets primarily reflects

- Operating grants and contributions - These are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in operating particular program. Revenues primarily consist of state gas tax funds and system development charges (e.g. parks, streets). Operating grants and contributions decreased \$656 thousand.
- Capital grants and contributions - These are revenues arising from mandatory and voluntary non-exchange transactions with other governments, organizations, or individuals that are restricted for use in capital improvement programs. Revenues primarily consist of federal and state grants (e.g. community development grants) and system development charges (e.g. transportation). Capital grants and contributions decreased \$1.2 million.
- Taxes and assessments - These are revenues arising from property taxes, street lighting district assessments and urban renewal tax increment revenues. Taxes and assessments decreased \$719 thousand primarily as a result of the reduction in the property values removed from the urban renewal district when the district's sixth amendment went into effect.

- Miscellaneous - Revenues primarily consist of interest earnings on funds held for capital construction projects (e.g. the Keizer Station development and street fund improvements) and working capital needs. Miscellaneous revenues increased \$695 thousand.

- Programs - These are direct expenses that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The following table reflects the changes in program expenses:

Table 3
Governmental Activities - Program Expenses
For the years ending June 30, 2007 and 2006

Programs	Fiscal Year June 30, 2007		Fiscal Year June 30, 2006		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General government	\$ 1,105,397	9.2%	\$ 1,482,804	13.0%	\$ (377,407)	-25%
Community and youth services	5,891	0.0%	5,104	0.0%	787	15%
Community development	2,477,616	20.6%	2,169,848	19.0%	307,768	14%
Parks	182,179	1.5%	177,860	1.6%	4,319	2%
Public safety	5,779,195	48.2%	5,426,593	47.6%	352,602	6%
Public works	1,477,995	12.3%	1,498,709	13.1%	(20,714)	-1%
Stadium operations	-	0.0%	40,515	0.4%	(40,515)	-100%
Interest on long-term debt	984,239	8.2%	607,443	5.3%	376,796	62%
Total expenses	<u>\$ 12,012,512</u>	<u>100.0%</u>	<u>\$ 11,408,876</u>	<u>100.0%</u>	<u>\$ 603,636</u>	<u>5%</u>

The increased program expenses of \$604 thousand primarily reflect an increase in interest paid for \$376 thousand, a decrease in the loss on the sale of assets for \$340 thousand, an increase in public safety personnel costs for \$274 thousand, and design services for the new civic center for \$371 thousand.

Business-type Activities

The City's changes in net assets from business-type activities increased 232% from \$492 thousand to \$1.1 million.

This increase in the changes in net assets primarily reflects:

- Charges for services are revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues primarily consist of fees charged for water, sewer and street light utilities. Charges for services increased by \$1.1 million or 17%
- Capital grants and contributions are revenues for system development fees to pay for water, sewer and storm drain infrastructure. Grants and contributions decreased by \$166 thousand or 38%.
- Program expenses are direct expenses that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The following table reflects the changes in program expenses:

Table 4
Business-type Activities - Program Expenses
For the years ending June 30, 2007 and 2006

Programs	Fiscal Year June 30, 2007		Fiscal Year June 30, 2006		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Water	\$ 2,251,960	32%	\$ 2,192,830	33%	\$ 59,130	3%
Sewer	4,332,492	62%	4,106,832	61%	225,660	5%
Street Lighting	406,052	6%	397,772	6%	8,280	2%
Total expenses	<u>\$ 6,990,504</u>	<u>100%</u>	<u>\$ 6,697,434</u>	<u>100%</u>	<u>\$ 293,070</u>	<u>4%</u>

The Program expense increases of \$293 thousand primarily reflect:

- Water, sewer and street lighting consist of operations and maintenance of water, wastewater collection systems and the City's lighting districts. Cost increases primarily reflect the increase in overall operating costs to provide and maintain existing service levels. The increase in the Sewer Fund is primarily related to increases in materials and services related to revenues collected for sewer services and remitted to the City of Salem per an interagency agreement.

Fund Financial Statements

Governmental Funds

The following table reflects a summary of ending fund balances for governmental funds compared to the prior year.

Table 5
Governmental Funds - Fund Balances
As of June 30, 2007 and 2006

Major Funds	Fiscal Year June 30, 2007		Fiscal Year June 30, 2006		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
General	\$ 1,968,795	21%	\$ 1,469,417	20%	\$ 499,378	34%
Street	2,158,226	23%	2,827,411	39%	\$ (669,185)	-24%
Housing	178,036	2%	135,204	2%	\$ 42,832	32%
Urban Renewal Project	265,043	3%	1,473,449	20%	\$ (1,208,406)	-82%
Urban Renewal Tax	3,425,117	36%	378,905	5%	\$ 3,046,212	804%
Keizer Station LID	(581,180)	-6%	(518,476)	-7%	\$ (62,704)	12%
Other Governmental Funds	2,043,789	21%	1,532,421	21%	\$ 511,368	33%
Total fund balances	<u>\$ 9,457,826</u>	<u>100%</u>	<u>\$ 7,298,331</u>	<u>100%</u>	<u>\$ 2,159,495</u>	<u>30%</u>

At June 30, 2007, the City's governmental funds reported combined fund balances of \$9.5 million, which is an increase of \$2.2 million or 30% compared with last year.

General

The General fund accounts for all of the financial resources of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees, state shared revenues and fines and forfeitures. Principal expenditures are made for police, community development, administration, and parks.

The General fund revenues increased 10%, from \$6.6 million to \$7.3 million. This increase in revenues primarily reflects increased property taxes of \$319 thousand, increased intergovernmental of \$126 thousand and increased fines and forfeitures of \$109 thousand.

The General fund expenditures increased 6%, from \$6.18 million to \$6.57 million. This increase in expenditures primarily reflects increases in expenditures for public safety of \$342 thousand.

State Gas Tax

The State Gas Tax fund accounts for maintenance and construction of streets and sidewalks. The major revenue source is highway funds.

The State Gas Tax fund revenues decreased 12%, from \$2.2 million to \$1.9 million. This decrease in revenues primarily reflects decreases in licenses and permits and miscellaneous revenues from property sales in 2006.

The State Gas Tax fund expenditures decreased 15%, from \$3.0 million to \$2.6 million. This decrease in expenditures primarily reflects a decrease in Capital construction for road improvements net an increase in debt service.

Other financing sources decreased \$1.7 million due to the issuance of debt in fiscal year 2006. No debt was issued in fiscal year 2007.

Urban Renewal Funds

The Urban Renewal funds account for payment of capital construction, primarily infrastructure, and associated personnel, operating services and supplies costs needed to manage the district. During fiscal year 2007, the District underwent a major plan amendment, extending the maximum indebtedness, allowing for additional development. As a result, the District defeased all of the outstanding debt that was issued to carry out the preceding Urban Renewal Plan. The major plan amendment also reduced the size of the district by approximately one third, placing property values on the tax roles of overlapping districts. Tax increment revenue is the primary source of revenue.

The Urban Renewal District revenues decreased 24%, from \$4.1 million to \$3.1 million. This decrease in revenues primarily reflects a decrease in tax increment revenue resulting from the major plan amendment.

The Urban Renewal District expenditures decreased 81%, from \$7.1 million to \$1.4 million. This decrease reflects a decrease in debt service due to the defeasance of debt in a prior year.

The Urban Renewal District's Other Financing Sources decreased 95%, from \$2.1 million to \$100 thousand. The Keizer Station LID fund repaid the District for an interfund loan and the district issued \$1,000,000 in debt, both of which resulted in an increase in Other Financing Sources in fiscal year 2007.

Keizer Station LID Fund

The Keizer Station LID fund accounts for the improvements to the Keizer Station Development project. Money expended in this fund is financed with a line-of-credit during the construction phase of the project. Once completed, the City plans to issue long-term debt as its financing mechanism. The cost of the improvements will then be assessed to the property owners who directly benefit from the project. The assessments received will be issued to pay off the debt.

The Keizer Station LID fund revenues decreased 22%, from \$1.2 million to \$927 thousand. This decrease in revenues primarily reflects a one-time contribution from the Chemawa LLC, a development group made up of the Confederated Tribes of the Grande Ronde and the Siletz Indians, and reimbursements from the developer for interest paid on the line of credit.

The Keizer Station LID fund expenditures decreased from \$20 million to \$5 million. This decrease reflects a decrease in capital construction for development of the Keizer Station area.

The \$581 thousand negative ending fund balance at June 30, 2007 reflects expenditures paid that had not yet been reimbursed with the City's interfund borrowing agreement.

Other Governmental Funds

These funds are not presented separately in the basic financial statements, but are individually presented as supplemental information.

Proprietary Funds

The following table reflects a summary of net assets for Proprietary Funds compared to the prior year.

Table 6
Proprietary Funds - Net Assets
As of June 30, 2007 and 2006

Major Funds	Fiscal Year June 30, 2007		Fiscal Year June 30, 2006		Compared to Prior Year	
	Amount	%	Amount	%	Change	%
Sewer	\$ 2,356,719	22%	\$ 2,227,711	23%	\$ 129,008	6%
Water	1,462,427	14%	1,414,822	15%	47,605	3%
Sewer Reserve	978,756	9%	846,325	9%	132,431	16%
Lighting Districts	225,821	2%	227,632	2%	(1,811)	-1%
Water Facility	5,753,997	53%	4,919,247	51%	834,750	17%
Total net assets	<u>\$ 10,777,720</u>	<u>100%</u>	<u>\$ 9,635,737</u>	<u>100%</u>	<u>\$ 1,141,983</u>	<u>12%</u>

At June 30, 2007, the City's proprietary funds reported combined net assets of \$10.8 million, which is an increase of \$1.1 million, or 12% compared with last year.

Water and Water Facility Funds

The Water and Water Facility funds account for the operations, maintenance, and capital construction of the water system. The primary sources of revenues are user fees, system development charges, and interest earnings.

The Water and Water Facility fund revenues increased 29%, from \$2.2 million to \$2.9 million. This increase primarily reflects an increase in water sales.

The Water and Water Facility fund expenditures remained constant at \$2.15 million for fiscal years 2006 and 2007.

Sewer and Sewer Reserve Funds

The Sewer and Sewer Reserve funds account for the operations, maintenance, and capital construction of the water and wastewater collection systems. The primary sources of revenues are user fees, system development charges, and interest earnings. The City of Keizer contracts with the City of Salem to provide sewer services to Keizer residences. Much of the activity in the fund is "passed through"; it is collected from the customer and paid to the City of Salem for sewer services. A portion of each billing receipt is retained in the fund to pay the cost of administering the bill.

The Sewer fund revenues increased by 13% from \$3.9 million to \$4.4 million resulting from an increase in charges for services.

The Sewer and Sewer Reserve fund expenditures increased 5%, from \$4.1 million to \$4.3 million. This increase primarily reflects an increase in materials and services costs for payments to the City of Salem and additional depreciation expense from newly capitalized assets.

Street Lighting District Fund

This fund accounts for assessments to property owners to pay for street lighting. Street Lighting District fund revenues decreased by 12%, from \$470 thousand to \$405 thousand as a result of a reduction in the 2007 assessment for working capital. Expenses remained constant at approximately \$400 thousand from fiscal year 2006 to fiscal year 2007.

Budgetary Highlights

There were no material changes from the original budget to the final budget for the General Fund

Capital Assets

As of June 30, 2007 the City had invested \$62 million in capital assets as reflected in the following table, which represents a net increase (additions, deductions, and depreciation) of \$5.4 million, or 10% from the previous fiscal year.

Table 7
Capital Assets at June 30, 2007 and 2006
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 9,534,971	\$ 9,287,319	\$ 371,759	\$ 371,759	\$ 9,906,730	\$ 9,659,078
Building and improvements	21,489,728	20,349,404	943,075	725,388	22,432,803	21,074,792
Equipment and vehicles	878,780	1,076,391	321,941	376,728	1,200,721	1,453,119
Infrastructure	36,875,059	32,468,250	16,320,650	14,889,025	53,195,709	47,357,275
Accumulated depreciation	(15,276,422)	(13,917,519)	(9,609,259)	(9,212,854)	(24,885,681)	(23,130,373)
Net capital assets	<u>\$ 53,502,116</u>	<u>\$ 49,263,845</u>	<u>\$ 8,348,166</u>	<u>\$ 7,150,046</u>	<u>\$ 61,850,282</u>	<u>\$ 56,413,891</u>

For more detailed information see the Notes to Basic Financial Statements (pages 32-33)

The following table is a summarized reconciliation of the change in capital assets.

Table 8
Changes in Capital Assets
For the year ending June 30, 2007

	Governmental Activities	Business-type Activities	Total
Beginning balance	\$ 49,263,845	\$ 7,150,046	\$ 56,413,891
Additions	6,586,530	1,779,086	8,365,616
Retirements	(122,343)	(4,405)	(126,748)
Depreciation	(2,225,916)	(576,561)	(2,802,477)
Ending balance	<u>\$ 53,502,116</u>	<u>\$ 8,348,166</u>	<u>\$ 61,850,282</u>

The City depreciates all its capital assets except for land.

Debt Outstanding

As of June 30, 2007 the City had \$27,778,000 in debt (bonds, notes, etc.) outstanding compared to the \$23,908,000 last year, a 16% net increase from additional borrowing.

Table 9
Outstanding Debt at Year End
For the years ended June 30, 2007 and 2006

	Totals	
	2007	2006
<i>Governmental</i>		
Urban Renewal Agency	\$ 1,593,000	\$ 1,738,000
Tax-Exempt Non-Revolving Credit Facility and Note 2006	<u>23,720,000</u>	<u>19,570,000</u>
Total Governmental	<u>25,313,000</u>	<u>21,308,000</u>
<i>Business-type</i>		
Water Revenue Loan	<u>2,465,000</u>	<u>2,600,000</u>
Total	<u>\$ 27,778,000</u>	<u>\$ 23,908,000</u>

BASIC FINANCIAL STATEMENTS

For more detailed information see the Notes to Basic Financial Statements (pages 34-35).

ECONOMIC FACTOR

The economy of the City and its major initiatives are discussed in detail in the accompanying Transmittal Letter.

FINANCIAL CONTACT

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 930 Chemawa Road NE, Keizer, Oregon 97303.

CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS
JUNE 30, 2007

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	<i>Governmental Activities</i>	<i>Business-type Activities</i>	<i>Totals</i>
ASSETS			
Cash and investments	\$ 9,365,898	\$ 4,500,313	\$ 13,866,211
Accounts receivable	1,101,095	1,011,403	2,112,498
Property taxes receivable	355,738	21,857	377,595
Assessment liens receivable	-	9,346	9,346
Loan receivables	223,857	-	223,857
Inventories	-	112,308	112,308
Nondepreciable capital assets	9,534,971	371,759	9,906,730
Other capital assets, net of depreciation	43,967,145	7,976,407	51,943,552
<i>Total Assets</i>	<i>64,548,704</i>	<i>14,003,393</i>	<i>78,552,097</i>
LIABILITIES			
Accounts payable	1,074,236	579,699	1,653,935
Deposits	35,467	119,746	155,213
Noncurrent liabilities:			
Due within one year:			
Bonds and notes payable	23,871,000	135,000	24,006,000
Accrued compensated absences	176,672	23,988	200,660
Due in more than one year:			
Bonds and notes payable	1,442,000	2,330,000	3,772,000
Accrued compensated absences	204,647	37,240	241,887
<i>Total Liabilities</i>	<i>26,804,022</i>	<i>3,225,673</i>	<i>30,029,695</i>
NET ASSETS			
Investment in capital assets (net of related debt)	28,189,116	5,883,166	34,072,282
Restricted for special purposes	2,557,208	-	2,557,208
Unrestricted	6,998,358	4,894,554	11,892,912
<i>Total Net Assets</i>	<i>\$ 37,744,682</i>	<i>\$ 10,777,720</i>	<i>\$ 48,522,402</i>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007

	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets			
		Fees, Fines and Charges for Services	Operating Grants and Contributions		Governmental Activities	Business-type Activities	Totals	
FUNCTIONS/PROGRAMS								
Governmental Activities:								
General government	\$ 1,105,397	\$ 147,399	\$ 204,239	\$ 289,934	\$ (463,825)	\$ -	\$ (463,825)	
Community and youth services	5,891	-	-	-	(5,891)	-	(5,891)	
Community development	2,477,616	67,114	-	-	(2,410,502)	-	(2,410,502)	
Parks	182,179	3,201	154,419	48,542	23,983	-	23,983	
Public safety	5,779,195	654,136	148,856	-	(4,976,203)	-	(4,976,203)	
Public works	1,477,995	60,448	1,620,450	101,845	304,748	-	304,748	
Stadium operations	-	57,425	-	-	57,425	-	57,425	
Interest on long-term debt	984,239	-	-	-	(984,239)	-	(984,239)	
Total Governmental Activities	12,012,512	989,723	2,127,964	440,321	(8,454,504)	-	(8,454,504)	
Business-type Activities:								
Water	2,253,494	2,832,074	27,783	101,093	-	707,456	707,456	
Sewer and storm drain	4,335,363	4,418,375	-	175,272	-	258,284	258,284	
Street lighting	406,052	404,918	-	-	-	(1,134)	(1,134)	
Total Business-type Activities	6,994,909	7,655,367	27,783	276,365	-	964,606	964,606	
Total Activities	\$ 19,007,421	\$ 8,645,090	\$ 2,155,747	\$ 716,686	(8,454,504)	964,606	(7,489,898)	
General Revenues:								
Property taxes					6,062,528	-	6,062,528	
Franchise taxes					2,283,966	-	2,283,966	
Intergovernmental - unrestricted					891,629	-	891,629	
Miscellaneous					1,524,730	188,137	1,712,867	
Total General Revenues					10,762,853	188,137	10,950,990	
Transfers					10,760	(10,760)	-	
Change in Net Assets					2,319,109	1,141,983	3,461,092	
Net Assets, July 1, 2006					35,425,573	9,635,737	45,061,310	
Net Assets, June 30, 2007					\$ 37,744,682	\$ 10,777,720	\$ 48,522,402	

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2007

	<i>General</i>	<i>Street</i>	<i>Housing Services</i>
ASSETS			
Cash and investments	\$ 1,666,990	\$ 2,142,556	\$ 178,036
Accounts receivable	334,080	131,570	-
Property taxes receivable	168,859	-	-
Due from other funds	62,013	-	-
Loan receivables	-	-	223,857
<i>Total Assets</i>	<u>\$ 2,231,942</u>	<u>\$ 2,274,126</u>	<u>\$ 401,893</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 110,391	\$ 115,200	\$ -
Deposits	34,367	700	-
Due to other funds	-	-	-
Deferred revenue	118,389	-	223,857
<i>Total Liabilities</i>	<u>263,147</u>	<u>115,900</u>	<u>223,857</u>
Fund Balances			
Unreserved (deficit), reported in:			
General fund	1,968,795	-	-
Special revenue funds	-	2,158,226	178,036
Capital projects funds	-	-	-
<i>Total Fund Balances</i>	<u>1,968,795</u>	<u>2,158,226</u>	<u>178,036</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 2,231,942</u>	<u>\$ 2,274,126</u>	<u>\$ 401,893</u>

<i>Urban Renewal Project</i>	<i>Urban Renewal Tax Increment</i>	<i>Keizer Station LID</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ 401,874	\$ 3,375,051	\$ (247,126)	\$ 1,848,517	\$ 9,365,898
-	-	308,096	327,349	1,101,095
-	186,879	-	-	355,738
-	-	-	-	62,013
-	-	-	-	223,857
<u>\$ 401,874</u>	<u>\$ 3,561,930</u>	<u>\$ 60,970</u>	<u>\$ 2,175,866</u>	<u>\$ 11,108,601</u>
\$ 136,431	\$ -	\$ 642,150	\$ 70,064	\$ 1,074,236
400	-	-	-	35,467
-	-	-	62,013	62,013
-	136,813	-	-	479,059
<u>136,831</u>	<u>136,813</u>	<u>642,150</u>	<u>132,077</u>	<u>1,650,775</u>
-	-	-	-	1,968,795
265,043	3,425,117	-	2,043,789	8,070,211
-	-	(581,180)	-	(581,180)
<u>265,043</u>	<u>3,425,117</u>	<u>(581,180)</u>	<u>2,043,789</u>	<u>9,457,826</u>
<u>\$ 401,874</u>	<u>\$ 3,561,930</u>	<u>\$ 60,970</u>	<u>\$ 2,175,866</u>	<u>\$ 11,108,601</u>

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007

RECONCILIATION TO THE STATEMENT OF NET ASSETS

<i>Fund Balances</i>	\$	9,457,826
The Statement of Net Assets reports receivables at their net realizable value. However, receivables not available to pay for current-period expenditures are deferred in governmental funds.		479,059
Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Assets at their net depreciable value.		
Cost of capital assets		68,778,538
Accumulated depreciation		(15,276,422)
All liabilities are reported in the Statement of Net Assets. However, if they are not due and payable in the current period, they are not recorded in governmental funds.		
Bonds and notes payable		(25,313,000)
Accrued compensated absences		(381,319)
<i>Net assets of governmental activities</i>	\$	<u>37,744,682</u>

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The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2007

	<i>General</i>	<i>Street</i>	<i>Housing Services</i>
REVENUES			
Taxes and assessments	\$ 3,228,652	\$ -	\$ -
Licenses and permits	2,386,993	56,098	-
Intergovernmental	749,581	1,717,335	34,841
Fines and forfeitures	654,136	-	-
Miscellaneous	277,457	169,205	7,991
<i>Total Revenues</i>	<i>7,296,819</i>	<i>1,942,638</i>	<i>42,832</i>
EXPENDITURES			
Current operating:			
General government	747,809	-	-
Community and youth services	5,891	-	-
Community development	363,149	-	-
Parks	151,744	-	-
Public safety	5,272,615	-	-
Public works	-	801,462	-
Capital outlay	30,881	1,625,084	-
Debt service	-	210,288	-
<i>Total Expenditures</i>	<i>6,572,089</i>	<i>2,636,834</i>	<i>-</i>
REVENUES OVER (UNDER) EXPENDITURES	724,730	(694,196)	42,832
OTHER FINANCING SOURCES (USES)			
Issuance of debt	-	-	-
Transfers in	5,247	27,447	-
Transfers out	(230,599)	(2,436)	-
<i>Total Other Financing Sources (Uses)</i>	<i>(225,352)</i>	<i>25,011</i>	<i>-</i>
NET CHANGE IN FUND BALANCES	499,378	(669,185)	42,832
FUND BALANCES, Beginning of year	1,469,417	2,827,411	135,204
FUND BALANCES (DEFICIT), End of year	\$ 1,968,795	\$ 2,158,226	\$ 178,036

<i>Urban Renewal Project</i>	<i>Urban Renewal Tax Increment</i>	<i>Keizer Station LID</i>	<i>Other Governmental Funds</i>	<i>Totals</i>
\$ -	\$ 2,938,425	\$ -	\$ -	\$ 6,167,077
-	-	-	431,098	2,874,189
-	-	-	574,983	3,076,740
-	-	-	-	654,136
46,222	107,787	926,916	78,357	1,613,935
46,222	3,046,212	926,916	1,084,438	14,386,077
-	-	-	64,380	812,189
-	-	-	-	5,891
800,982	-	-	-	1,164,131
-	-	-	9,678	161,422
-	-	-	246,766	5,519,381
-	-	46,617	-	848,079
554,232	-	4,047,173	489,640	6,747,010
-	-	918,951	-	1,129,239
1,355,214	-	5,012,741	810,464	16,387,342
(1,308,992)	3,046,212	(4,085,825)	273,974	(2,001,265)
-	-	4,150,000	-	4,150,000
103,392	-	-	242,641	378,727
(2,806)	-	(126,879)	(5,247)	(367,967)
100,586	-	4,023,121	237,394	4,160,760
(1,208,406)	3,046,212	(62,704)	511,368	2,159,495
1,473,449	378,905	(518,476)	1,532,421	7,298,331
\$ 265,043	\$ 3,425,117	\$ (581,180)	\$ 2,043,789	\$ 9,457,826

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2007**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**

Net change in fund balances - total governmental funds	\$ 2,159,495
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds defer revenues that do not provide current financial resources. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(65,216)
The Statement of Activities reports gains and losses arising from the disposal of existing capital assets, while governmental funds do not report any gains and losses on the disposal of existing capital assets.	(122,343)
Governmental funds do not report expenditures for unpaid compensated absences, interest expense, or arbitrage since they do not require the use of current financial resources. However, the Statement of Activities reports such expenses when incurred, regardless of when settlement ultimately occurs.	(8,441)
Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.	
Capital outlays	6,586,530
Depreciation	(2,225,916)
Proceeds from the issuance of long-term debt provide current financial resources to governmental funds and are reported as revenues. In the same way, repayments of long-term debt use current financial resources and are reported as expenditures in governmental funds. However, neither the receipt of debt proceeds nor the payment of debt principal affect the Statement of Activities, but are reported as increases and decreases in noncurrent liabilities in the Statement of Net Assets.	
Proceeds from issuance of debt	(4,150,000)
Debt principal payments	145,000
Change in net assets of governmental activities	\$ 2,319,109

The accompanying notes are an integral part of the financial statements.

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CITY OF KEIZER, OREGON
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2007

	<i>Sewer</i>	<i>Water</i>	<i>Sewer Reserve</i>
ASSETS			
Current Assets			
Cash and investments	\$ 309,352	\$ 822,539	\$ 974,158
Accounts receivable	656,575	350,228	-
Property taxes receivable	-	-	-
Assessment liens receivable	-	4,719	4,627
Inventories	-	112,308	-
Total Current Assets	965,927	1,289,794	978,785
Noncurrent Assets			
Other capital assets	1,722,356	2,779,012	-
Total Assets	2,688,283	4,068,806	978,785
LIABILITIES			
Current Liabilities			
Accounts payable	324,305	90,168	29
Deposits	-	367	-
Bonds payable - due within one year	-	135,000	-
Total Current Liabilities	324,305	225,535	29
Noncurrent Liabilities			
Bonds payable	-	2,330,000	-
Accrued compensated absences	7,259	50,844	-
Total Noncurrent Liabilities	7,259	2,380,844	-
Total Liabilities	331,564	2,606,379	29
NET ASSETS			
Investment in capital assets (net of related debt)	1,722,356	314,012	-
Unrestricted	634,363	1,148,415	978,756
Total Net Assets	\$ 2,356,719	\$ 1,462,427	\$ 978,756

<i>Lighting Districts</i>	<i>Water Facility</i>	<i>Totals</i>
\$ 213,266	\$ 2,180,998	\$ 4,500,313
-	4,600	1,011,403
21,857	-	21,857
-	-	9,346
-	-	112,308
235,123	2,185,598	5,655,227
-	3,846,798	8,348,166
235,123	6,032,396	14,003,393
6,177	159,020	579,699
-	119,379	119,746
-	-	135,000
6,177	278,399	834,445
-	-	2,330,000
3,125	-	61,228
3,125	-	2,391,228
9,302	278,399	3,225,673
-	3,846,798	5,883,166
225,821	1,907,199	4,894,554
\$ 225,821	\$ 5,753,997	\$ 10,777,720

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	<i>Sewer</i>	<i>Water</i>	<i>Sewer Reserve</i>
OPERATING REVENUES			
Licenses and permits	\$ 8,406	\$ 21,738	\$ -
Charges for services	4,409,969	2,772,521	-
Miscellaneous	5,462	65,377	-
<i>Total Operating Revenues</i>	<i>4,423,837</i>	<i>2,859,636</i>	<i>-</i>
OPERATING EXPENSES			
Personal services	187,593	1,009,346	-
Materials and services	3,919,560	787,559	-
Depreciation	225,339	207,267	-
<i>Total Operating Expenses</i>	<i>4,332,492</i>	<i>2,004,172</i>	<i>-</i>
OPERATING INCOME (LOSS)	91,345	855,464	-
NONOPERATING REVENUES (EXPENSES)			
Investment revenue	-	70,457	992
Interest expense	-	(103,833)	-
Loss on disposal of capital assets	(2,871)	-	-
<i>Total Nonoperating Revenue (Expenses)</i>	<i>(2,871)</i>	<i>(33,376)</i>	<i>992</i>
INCOME (LOSS) BEFORE TRANSFERS	88,474	822,088	992
Transfers in	43,833	-	-
Transfers out	(3,299)	(3,374,483)	(43,833)
<i>Total Transfers</i>	<i>40,534</i>	<i>(3,374,483)</i>	<i>(43,833)</i>
CAPITAL CONTRIBUTIONS	-	-	175,272
CHANGE IN NET ASSETS	129,008	(2,552,395)	132,431
NET ASSETS, Beginning of year	2,227,711	4,014,822	846,325
NET ASSETS, End of year	\$ 2,356,719	\$ 1,462,427	\$ 978,756

<i>Lighting Districts</i>	<i>Water Facility</i>	<i>Totals</i>
\$ -	\$ -	\$ 30,144
404,918	-	7,587,408
-	5,221	76,060
404,918	5,221	7,693,612
48,157	-	1,245,096
357,895	-	5,065,014
-	143,955	576,561
406,052	143,955	6,886,671
(1,134)	(138,734)	806,941
1	106,225	177,675
-	-	(103,833)
-	(1,534)	(4,405)
1	104,691	69,437
(1,133)	(34,043)	876,378
-	3,367,700	3,411,533
(678)	-	(3,422,293)
(678)	3,367,700	(10,760)
-	101,093	276,365
(1,811)	3,434,750	1,141,983
227,632	2,319,247	9,635,737
\$ 225,821	\$ 5,753,997	\$ 10,777,720

The accompanying notes are an integral part of the financial statements.

CITY OF KEIZER, OREGON
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2007

	<i>Sewer Fund</i>	<i>Water Fund</i>	<i>Sewer Reserve Fund</i>
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 4,091,002	\$ 2,642,174	\$ 23,005
Cash paid to employees for services	(3,919,663)	(1,012,068)	-
Cash paid to suppliers for goods and services	(143,585)	(960,222)	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>27,754</u>	<u>669,884</u>	<u>23,005</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	43,833	-	-
Transfers out	(3,299)	(774,483)	(43,833)
<i>Net Cash Provided by (Used in) Non-Capital Financing Activities</i>	<u>40,534</u>	<u>(774,483)</u>	<u>(43,833)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(43,833)	(285,856)	-
Principal paid on contracts/bonds payable	-	(135,000)	-
Contribution of capital	-	-	175,272
Interest paid	-	(103,833)	-
<i>Net Cash Used in Capital Related Financing Activities</i>	<u>(43,833)</u>	<u>(524,689)</u>	<u>175,272</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	70,457	992
<i>Increase (Decrease) in Cash and Investments</i>	<u>24,455</u>	<u>(558,831)</u>	<u>155,436</u>
CASH AND INVESTMENTS, Beginning of year	<u>284,897</u>	<u>1,381,370</u>	<u>818,722</u>
CASH AND INVESTMENTS, End of year	<u>\$ 309,352</u>	<u>\$ 822,539</u>	<u>\$ 974,158</u>

**RECONCILIATION OF CASH PROVIDED BY OPERATING
ACTIVITIES TO OPERATING INCOME (LOSS)**

Operating income (loss)	\$ 91,345	\$ 855,464	\$ -
Depreciation	225,339	207,267	-
<i>Change in assets and liabilities</i>			
Accounts receivable	(332,835)	(217,462)	23,005
Inventory	-	(42,157)	-
Accounts payable and accrued liabilities	44,008	(130,527)	-
Compensated absences payable	(103)	(2,722)	-
Deposits payable	-	21	-
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$ 27,754</u>	<u>\$ 669,884</u>	<u>\$ 23,005</u>

<i>Lighting District Fund</i>	<i>Water Facility Fund</i>	<i>Totals</i>
\$ 409,993	\$ 12,618	\$ 7,178,792
(48,088)	-	(4,979,819)
(357,434)	(41,070)	(1,502,311)
<u>4,471</u>	<u>(28,452)</u>	<u>696,662</u>
-	767,700	811,533
(678)	-	(822,293)
<u>(678)</u>	<u>767,700</u>	<u>(10,760)</u>
-	(1,449,397)	(1,779,086)
-	-	(135,000)
-	101,093	276,365
-	-	(103,833)
<u>-</u>	<u>(1,348,304)</u>	<u>(1,741,554)</u>
<u>1</u>	<u>106,225</u>	<u>177,675</u>
<u>3,794</u>	<u>(502,831)</u>	<u>(877,977)</u>
<u>209,472</u>	<u>2,683,829</u>	<u>5,378,290</u>
<u>\$ 213,266</u>	<u>\$ 2,180,998</u>	<u>\$ 4,500,313</u>

The accompanying notes are an integral part of the financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Financial Reporting Entity

The City was established in November 1982.

Control of the City is vested in its Mayor and City Council who are elected to office by voters within the City. Administrative functions are delegated to individuals who report to, and are responsible to, the Mayor and City Council. The chief administrative officer is the City Manager.

As defined by accounting principles generally accepted in the United States of America, the financial reporting entity consists of the primary government, as well as its component units, which are legally separate organizations for which the elected officials of the primary government are financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. The City of Keizer's financial statements include the Keizer Urban Renewal Agency as a blended component unit. The City Council and Board of Directors of Keizer Urban Renewal Agency are composed of the same individuals.

The Keizer Urban Renewal Agency issues separate financial statements.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

Government-wide financial statements display information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Assets and the Statement of Activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary, or fiduciary. Currently, the City has general, special revenue, capital projects, debt service and enterprise funds. Major individual governmental funds, major individual special revenue funds, and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column within each fund type in the financial section of the basic financial statements and are detailed in the other supplementary information.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, receipts and disbursements. The various funds are reported by generic classification within the financial statements.

The reporting model sets forth minimum criteria (percentage of the assets liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds.

The City reports the following major governmental funds:

General Fund - this fund accounts for the activities of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, franchise fees and state and county shared revenues. Primary expenditures are for police protection, parks, planning and general government.

Special Revenue Funds

Street Fund - this fund accounts for highway gas tax apportionments from the State of Oregon. Expenditures are as specified under Article IX, Section 3 of the Constitution of the State of Oregon.

Housing Services Fund - this fund accounts for rehabilitation loans to qualifying borrowers. Revenues are primarily from grant revenue and loan repayments.

Urban Renewal Agency Funds - these funds account for the activity of the Urban Renewal Agency, a blended component unit. Taxes are the primary source of revenue. Expenditures are for urban renewal purposes.

Capital Projects Fund

Keizer Station LID Fund - this fund is used to account for improvements made to real property to facilitate the construction of Keizer Station, a major shopping complex. Borrowings are the primary source of revenue.

The City reports the following nonmajor governmental funds:

Special Revenue Funds

Revenue Sharing - this fund accounts for State Revenue Sharing Funds. Primary expenditures are for police protection, parks, planning and general government.

Law Enforcement Grant - this fund accounts for money received to support law enforcement activities. Expenditures are for purposes designated in the grant.

911 Emergency Communications - this fund accounts for 911 funds received from the State of Oregon. Expenditures are for emergency dispatch services.

Public Education Government - this fund accounts for franchise fees assessed on cable television bills. Expenditures are for governmental cable programming.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Transportation Fund - this fund was established to account for system development fees. The City charges a system development fee per dwelling unit to help cover the cost of transportation improvements resulting from development.

Park Improvement Fund - this fund accounts for money set aside for park purposes. Designated funds and interest earnings are the primary source of revenue.

City Hall Facility Fund - this fund accounts for improvements made to the City Hall facility. Transfers from other funds are the primary source of revenue.

The City reports the following major proprietary funds:

Sewer Fund - this fund accounts for the operation of the City's wastewater system.

Water Fund - this fund accounts for the operation of the City's water system.

Sewer Reserve Fund - this fund accounts for money set aside for future sewer system expansion.

Lighting Districts Fund - this fund accounts for assessments received to pay for street lighting.

Water Facility Fund - this fund accounts for money set aside for future water system expansion.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide financial statements and the proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net assets. Net assets are segregated into investment in capital assets, net of related debt, restricted and unrestricted components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Those revenues susceptible to accrual are property taxes, franchise fees, licenses, interest revenue and charges for services. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (continued)

Transfers between funds are to facilitate operations.

The City has adopted Governmental Accounting Standards Board (GASB) Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting." The City has elected to apply all applicable GASB pronouncements, as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. As allowed under GASB No. 20, the City has elected not to apply FASB guidance issued subsequent to November 30, 1989, unless specifically adopted by the GASB.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses as of and for the year ended June 30, 2007. Actual results may differ from such estimates.

Cash and Investments

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. agencies, banker's acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial paper Record, and the State Treasurer's Investment Pool.

Investments are stated at cost, which approximates fair value. Fair value is defined as the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. The fair value adjustment is an "unrealized" gain or loss and is reported with other interest income. No investments are carried at amortized cost.

For purposes of the statement of cash flows, the proprietary funds consider cash and cash equivalents to include cash and investment pool amounts since they have the characteristics of demand deposits.

Receivables and Deferred Revenues

Receivables for state, county and local shared revenues, included in accounts receivable, are recorded as revenue in the governmental funds as earned.

Receivables of the business-type funds are recorded as revenue as earned.

Property taxes receivable for the governmental fund types, which have been collected within sixty days subsequent to year end, are considered measurable and available and are recognized as revenues. All other property taxes are offset by deferred property tax revenues and, accordingly, have not been recorded as revenue. Real and personal property taxes are levied upon all taxable property within the City and become liens against the property as of July 1 of each year and are payable in three installments which are due on November 15, February 15, and May 15. Discounts are allowed if the amount due is received by February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. Property taxes receivable by the City represent the City's allocated share of delinquent property taxes and other amounts to be collected from property owners within Marion County, Oregon.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables and Deferred Revenues (continued)

Assessment liens in the governmental fund types are recognized as receivables at the time property owners are assessed for property improvements. All assessments receivable are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Interest earned on assessments in the governmental fund types is accrued when due and are offset by a deferred revenue account and, accordingly, have not been recorded as revenue.

Inventory

Inventory in the business-type funds is stated at cost (first-in, first-out basis) and is charged to expense as used.

Capital Assets

Capital assets are stated at cost or estimated historical cost. Donated assets are recorded at fair market value at date of donation. Estimated fair market value of donated assets is determined based on engineering estimates of current cost or price indexed cost.

Normal maintenance and repairs are charged to operations as incurred. Major additions, improvements and replacements are capitalized. Gains or losses from sales or retirements of capital assets are included in operations.

Capital assets include land, right-of-way (included with land), buildings, improvements, equipment, infrastructure, and other tangible and intangible assets costing over \$5,000 used in operations that have initial useful lives extending beyond five years. Infrastructure are those capital assets that are stationary in nature and can be preserved for a significantly greater number of years than most other capital assets. Infrastructure reported in governmental activities consists of roads, bridges, sidewalks, and traffic and lighting systems. Infrastructure reported in business-type activities consists of water, stormwater and wastewater collection systems.

As permitted by GAAP, the City has limited the retroactive capitalization of governmental fund infrastructure to fiscal years ended after June 30, 1980. Although, the majority of such infrastructure was placed in service before that date, it has not been included in these financial statements since they have been primarily depreciated.

Capital assets are depreciated unless they are inexhaustible in nature (e.g., land and right-of-ways). Depreciation is an accounting process to allocate the cost of capital assets to expense in a systematic and rational manner to those periods expected to benefit from the use of capital assets. Depreciation is not intended to represent an estimate in the decline of fair market value, nor are capital assets, net of accumulated depreciation, intended to represent an estimate of the current condition of the assets, or the maintenance requirements needed to maintain the assets at their current level of condition.

Depreciation is computed over the estimated useful lives of the capital assets. All estimates of useful lives are based on actual experience by City departments with identical or similar capital assets. Depreciation is calculated on the straight-line basis, except for infrastructure and improvements other than buildings reported in the governmental activities column of the government-wide financial statements, which are calculated using a composite depreciation method. The estimated useful lives of the various categories of assets are as follows:

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (continued)

Buildings	30-50 years
Improvements other than buildings	20 years
Infrastructure	20-40 years
Equipment	3-15 years

Upon disposal of capital assets, cost and accumulated depreciation are removed from the accounts and, if appropriate, a gain or loss on the disposal is recognized. In accordance with the composite depreciation method, no gain or loss is recorded upon disposal, but rather, cost is removed from the capital asset account and charged to the accumulated depreciation account.

Long-Term Debt

Long-term debt directly related and expected to be paid from the enterprise funds is recorded in these funds. All other unmatured long-term debt is recorded on the Statement of Net Assets. Urban Renewal Agency bonds and the credit facility line of credit are payable from the Urban Renewal funds. Gas revenue bonds are payable from the Street Fund.

Accrued Vacation Pay

Accumulated vested vacation pay is accrued in the government-wide and enterprise funds financial statements as it is earned by employees. In governmental fund types the amounts, if any, that have matured and will be paid from available resources are accrued. Liabilities for accrued compensated absences are generally paid from the General, Street and Urban Renewal Projects funds.

The City has a policy which permits employees to accumulate unused sick pay at the rate of eight hours per month up to a maximum of 960 hours. Portions of sick pay accumulated at any point in time can be expected to be redeemed before termination of employment, however, such redemptions cannot be reasonably estimated.

Budget and Budgetary Accounting

The City Council adopts the budget on a departmental basis for the General Fund and object level for all other funds. Expenditures may not legally exceed that fund's appropriations. Management has no authority outside of budgeted appropriations. City Council may, by resolution, transfer appropriations. Public hearings before a budget committee and the City Council and formal newspaper publications of certain budgetary information must be conducted prior to the formal adoption of the budget by City resolution. The City Council may amend the budget to expend unforeseen receipts by supplemental appropriations. Supplemental budgets require public hearings, newspaper publications and approval by the City Council prior to enactment. No supplemental budgets were required in the current year. Budgets are adopted on the modified accrual basis of accounting. Appropriations lapse at year-end and may not be carried over.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

CASH AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds, except for restricted cash and investments. Each fund type's portion of this pool is displayed as part of "cash and investments." At June 30, 2007 the carrying value of cash and investments and fair value are approximately equal. Cash and investments are comprised of the following at June 30, 2007:

Cash	
Cash on hand	\$ 1,850
Deposits with financial institutions	8,539,020
Investments	
Local Government Investment Pool	5,325,341
	<hr/>
Total Cash and Investments	\$ 13,866,211

Deposits

At year end, the book balance of the City's bank deposits (checking and money market accounts) was \$8,539,020 and the bank balance was \$8,678,830. The difference is due to transactions in process. Of these deposits, \$100,000 was covered by federal depository insurance. The remaining amount including money market funds are collateralized in accordance with Oregon Revised Statutes.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-term Fund, of which the Local Government Investment Pool is part. Participation by local governments is voluntary. The State of Oregon investment policies are governed by statute and the Oregon Investment Council. In accordance with Oregon Statutes, the investment funds are invested as a prudent investor would do, exercising reasonable care, skill and caution. The Oregon Short-term Fund is the LGIP for local governments and was established by the State Treasurer. It was created to meet the financial and administrative responsibilities of federal arbitrage regulations. At June 30, 2007, the fair value of the position in the Oregon State Treasurer's Short-term Investment Pool was approximately equal to the value of the pool shares. The investment in the Oregon Short-term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-term Fund are available from the Oregon State Treasurer.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments, specifically by maintaining funds in the Local Government Investment Pool.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

CASH AND INVESTMENTS (Continued)

Custodial Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Oregon laws require governmental deposits to be made in banks to be protected either by depository insurance or the financial institution is required to maintain on deposit with a collateral pool manager securities having a value of not less than 25% of the face value of the certificate issued by the pool manager. When such securities are deposited with the pool manager, covered funds are considered fully collateralized under Oregon law. The collateral is held by a state-sponsored pool manager which is a commercial bank in the name of the pool manager, with the collateral certificate issued by the pool manager in the name of the City. This does not constitute full collateral of deposits, but meets Oregon legal requirements.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the City will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. Currently the City's investments are limited to the Local Government Investment Pool.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

RECEIVABLES

Fund	Accounts	Loans	Property Taxes	Bonded Assessments
General	\$ 334,080	\$ -	\$ 168,859	\$ -
Street	131,570	-	-	-
Housing Services	-	223,857	-	-
Urban Renewal Tax	-	-	186,879	-
Keizer Station LID	308,096	-	-	-
Other governmental funds	327,349	-	-	-
Sewer	656,575	-	-	-
Water	350,228	-	-	4,719
Sewer Reserve	-	-	-	4,627
Lighting Districts	-	-	21,857	-
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 2,107,898	\$ 223,857	\$ 377,595	\$ 9,346

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

CAPITAL ASSETS

The summary of capital assets for the business-type activities for the year ended June 30, 2007 is as follows:

	<i>Balances July 1, 2006</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balances June 30, 2007</i>
NON-DEPRECIABLE				
Land	\$ 371,759	\$ -	\$ -	\$ 371,759
DEPRECIABLE				
Buildings and improvements	725,388	217,687	-	943,075
Water and sewer systems	14,889,025	1,521,391	(89,766)	16,320,650
Equipment and vehicles	376,728	40,008	(94,795)	321,941
<i>Total depreciable</i>	<i>15,991,141</i>	<i>1,779,086</i>	<i>(184,561)</i>	<i>17,585,666</i>
ACCUMULATED DEPRECIATION				
Buildings	(526,381)	(38,464)	-	(564,845)
Water and sewer systems	(8,460,150)	(479,457)	85,361	(8,854,246)
Equipment and vehicles	(226,323)	(58,640)	94,795	(190,168)
<i>Total accumulated depreciation</i>	<i>(9,212,854)</i>	<i>(576,561)</i>	<i>180,156</i>	<i>(9,609,259)</i>
<i>Business-type activities capital assets, net</i>	<i>\$ 7,150,046</i>	<i>\$ 1,202,525</i>	<i>\$ (4,405)</i>	<i>\$ 8,348,166</i>

Depreciation expense for business-type activities is charged to functions as follows:

Water	\$ 351,222
Sewer and storm drain	225,339
<i>Total depreciation expense for business-type activities</i>	<i>\$ 576,561</i>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

CAPITAL ASSETS (Continued)

The changes in the capital assets for governmental activities for the year ended June 30, 2007 are as follows:

	<i>Balances July 1, 2006</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balances June 30, 2007</i>
NON-DEPRECIABLE				
Land	\$ 9,287,319	\$ 262,531	\$ (14,879)	\$ 9,534,971
DEPRECIABLE				
Buildings and improvements	20,349,404	1,811,838	(671,514)	21,489,728
Equipment and vehicles	1,076,391	76,019	(273,630)	878,780
Infrastructure	32,468,250	4,436,142	(29,333)	36,875,059
<i>Total depreciable</i>	<i>53,894,045</i>	<i>6,323,999</i>	<i>(974,477)</i>	<i>59,243,567</i>
ACCUMULATED DEPRECIATION				
Buildings	(9,378,179)	(973,766)	590,288	(9,761,657)
Equipment and vehicles	(898,322)	(70,443)	268,358	(700,407)
Infrastructure	(3,641,018)	(1,181,707)	8,367	(4,814,358)
<i>Total accumulated depreciation</i>	<i>(13,917,519)</i>	<i>(2,225,916)</i>	<i>867,013</i>	<i>(15,276,422)</i>
<i>Governmental activities capital assets, net</i>	<i>\$ 49,263,845</i>	<i>\$ 4,360,614</i>	<i>\$ (122,343)</i>	<i>\$ 53,502,116</i>

Depreciation expense for governmental-type activities is charged to functions as follows:

General government	\$ 65,619
Public safety	1,463,777
Public works	42,429
Community development	28,733
Parks	625,358
<i>Total depreciation expense for governmental activities</i>	<i>\$ 2,225,916</i>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

LONG-TERM OBLIGATIONS

Long-term debt transactions for the year were as follows:

	<u>Outstanding July 1, 2006</u>	<u>Issued</u>	<u>Matured/ Redeemed During Year</u>	<u>Outstanding June 30, 2007</u>	<u>Due in One Year</u>
Governmental Activities					
Gas Tax Revenue Bonds 2005 Initial issue \$1,738,000, interest at 3.92%	\$ 1,738,000	\$ -	\$ (145,000)	\$ -	\$ 151,000
Tax-Exempt Non-Revolving Credit Facility Series 2006	19,570,000	4,150,000	-	23,720,000	23,720,000
	<u>\$ 21,308,000</u>	<u>\$ 4,150,000</u>	<u>\$ (145,000)</u>	<u>\$ 23,720,000</u>	<u>\$ 23,871,000</u>
Accrued compensated absences	<u>\$ 372,878</u>	<u>\$ 247,211</u>	<u>\$ (238,770)</u>	<u>\$ 381,319</u>	<u>\$ 176,672</u>
Business-type Activities					
2005 Water Revenue Loan Initial issue \$2,600,000, interest at 4.10%	\$ 2,600,000	\$ -	\$ (135,000)	\$ 2,465,000	\$ 135,000
Accrued compensated absences	<u>\$ 63,984</u>	<u>\$ 56,426</u>	<u>\$ (59,182)</u>	<u>\$ 61,228</u>	<u>\$ 23,988</u>

The future maturities of obligations outstanding as of June 30, 2007:

Governmental Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 23,871,000	\$ 1,320,096	\$ 25,191,096
2009	157,000	53,449	210,449
2010	163,000	47,177	210,177
2011	169,000	40,670	209,670
2012	176,000	33,908	209,908
2013-2016	777,000	62,426	839,426
	<u>\$ 25,313,000</u>	<u>\$ 1,557,726</u>	<u>\$ 26,870,726</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

LONG-TERM OBLIGATIONS (Continued)

Business-type Activities

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 135,000	\$ 98,297	\$ 233,297
2009	140,000	92,660	232,660
2010	145,000	86,817	231,817
2011	150,000	80,770	230,770
2012	155,000	74,518	229,518
2013-2017	890,000	268,140	1,158,140
2018-2021	850,000	71,340	921,340
	<u>\$ 2,465,000</u>	<u>\$ 772,542</u>	<u>\$ 3,237,542</u>

Credit Facility

During 2005-06, the City obtained a credit facility for the Urban Renewal District. The facility has a maximum limit of \$23,720,000 and carries variable interest rates; at June 30, 2007 the rates were from 4.49% to 6.50%.

The outstanding balance of the credit facility as of June 30, 2007 is \$23,720,000. Future debt service requirements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	<u>\$ 23,720,000</u>	<u>\$ 1,260,610</u>	<u>\$ 24,980,610</u>

Compensated Absences

Compensated absences are liabilities of the fund in which the related payroll costs are accrued.

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

PENSION PLANS

Plan Description

The City is a participating employer in the Oregon Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay any or all of the employees' contribution in addition to the required employers' contribution. The City has elected to contribute the 6.0% "pick-up."

In addition to the 6.0% "pick-up," the City contributed 16.68% of covered payroll to PERS for the fiscal year ended June 30, 2007. This contribution rate was determined as part of the December 31, 2003 actuarial evaluation and was recalculated to reflect the impact of recently passed legislation (House Bills 2001, 2003, and 2004). Subject salary for the year was \$2,700,910 and the City's total payroll was \$4,830,136.

**Year Ended
June 30,**

2007	\$	612,786
2006		580,020
2005		506,803

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

PENSION PLANS (Continued)

Funding Policy (Continued)

The City's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability ("UAL") created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuation's UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8.0% per year, projected salary increase of 4.25%, health cost inflation graded from 8.5% in 2004 to 0% in 2011, and a consumer price inflation component of 3.25%.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

Defined Contribution

Employees that are not covered by PERS and have worked for the city for six months, qualify for a section 401(a) qualified pension plan. The plan was established and is administered by the City Council. Contributions to the plan are 11 to 12 percent of compensation paid by the City. There are no employee contributions. Contributions for the year ended June 30, 2007, amounted to \$488,070. Plan assets are invested in registered mutual funds. Benefits are provided at normal retirement age or under other circumstances such as death or disability.

Deferred Compensation

The City offers its permanent, full-time employees a deferred compensation plan under Internal Revenue Code section 457 wherein they may defer amounts earned until a future date when certain circumstances are met. These circumstances are: termination by reason of death, disability, resignation or retirement. Payment to the employees will be made in a lump sum or by annuity.

TRANSFERS

Transfer to:	Transfer from:							Total
	General	Street	Urban Renewal Agency	Keizer Station LID	Sewer	Water	All Other Funds	
General	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,247	\$ 5,247
Street	3,960	-	-	23,487	-	-	-	27,447
Revenue Sharing	122,700	-	-	-	-	-	-	122,700
9-1-1	81,800	-	-	-	-	-	-	81,800
Urban Renewal Agency	-	-	-	103,392	-	-	-	103,392
City Hall Facility	22,129	2,436	2,806	-	3,299	6,783	678	38,141
Water Facility	-	-	-	-	-	767,700	-	767,700
	<u>\$ 230,599</u>	<u>\$ 2,436</u>	<u>\$ 2,806</u>	<u>\$ 126,879</u>	<u>\$ 3,299</u>	<u>\$ 774,483</u>	<u>\$ 5,925</u>	<u>\$ 1,146,427</u>

CITY OF KEIZER, OREGON
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2007

TRANSFERS (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

DEFICIT FUND BALANCES

At June 30, 2007 the Keizer Station LID fund had a deficit fund balance of \$581,180. The deficit arises from the manner in which the fund transactions are recorded. Expenditures related to the project are recorded as incurred. This creates a deficit. Later, draws are made on the credit facility to pay the expenditures. This eliminates the deficit. The deficit balance at June 30, 2007 was eliminated in July 2007 by drawing down funds from the credit facility.

At June 30, 2007 the Law Enforcement Grant Fund had a deficit balance of \$189 and the 911 Fund had a deficit balance of \$2,722. These deficits will be eliminated after year end through the receipt of additional funds.

EXPENDITURES IN EXCESS OF APPROPRIATIONS

Oregon law prohibits expenditures of a fund in excess of Council approved appropriations. The City Council approves appropriations by department for the General Fund and by major object class (personnel services, materials and services, capital outlay and debt service) for all other funds.

Expenditures in excess of appropriations in individual funds for the year ended June 30, 2007 occurred as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Keizer Station LID			
Materials and services	\$ 46,600	\$ 46,617	\$ (17)
Transfers out	27,000	116,879	(99,879)
Urban Renewal Agency			
Personal services	254,700	255,630	(930)
Materials and services	108,600	545,352	(436,752)
Law Enforcement Grant			
Capital outlay	25,000	28,133	(3,133)
Sewer Fund			
Personal services	186,400	187,696	1,296

CONTINGENCIES

The City purchases commercial insurance to cover all commonly insurable risks, including property, liability, vehicles, fidelity bond, worker's compensation and unemployment. All policies carry a small deductible amount. No insurance claims settled in each of the prior three years have exceeded policy coverage.

The City is a defendant in various litigation proceedings. Management believes any losses arising from these actions will not materially affect the City's financial position.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,170,600	\$ 3,170,600	\$ 3,228,652	\$ 58,052
Licenses and permits	2,272,000	2,272,000	2,386,993	114,993
Intergovernmental	690,000	690,000	749,581	59,581
Fines and forfeitures	531,300	531,300	654,136	122,836
Miscellaneous	192,400	192,400	277,457	85,057
<i>Total Revenues</i>	6,856,300	6,856,300	7,296,819	440,519
EXPENDITURES				
Administration	746,400	746,400	717,908	28,492
Parks	183,700	183,700	174,297	9,403
Planning	457,500	457,500	363,149	94,351
Police	5,242,500	5,272,500	5,099,392	173,108
Municipal court	232,300	232,300	217,343	14,957
Contingency	69,200	39,200	-	39,200
<i>Total Expenditures</i>	6,931,600	6,931,600	6,572,089	359,511
REVENUES OVER (UNDER)				
EXPENDITURES	(75,300)	(75,300)	724,730	800,030
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	5,247	(4,753)
Transfers out	(267,600)	(267,600)	(230,599)	37,001
<i>Total Other Financing Sources (Uses)</i>	(257,600)	(257,600)	(225,352)	32,248
NET CHANGE IN FUND BALANCE	(332,900)	(332,900)	499,378	832,278
FUND BALANCE, Beginning of year	1,322,800	1,322,800	1,469,417	146,617
FUND BALANCE, End of year	\$ 989,900	\$ 989,900	\$ 1,968,795	\$ 978,895

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - STREET FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Taxes and assessments	\$ 3,700	\$ 3,700	\$ -	\$ (3,700)
Licenses and permits	25,100	25,100	56,098	30,998
Intergovernmental	1,804,600	1,804,600	1,717,335	(87,265)
Miscellaneous	154,400	154,400	169,205	14,805
<i>Total Revenues</i>	1,987,800	1,987,800	1,942,638	(45,162)
EXPENDITURES				
Personal services	276,300	276,300	260,475	15,825
Materials and services	607,800	607,800	540,987	66,813
Capital outlay	3,455,900	3,455,900	1,625,084	1,830,816
Debt service	210,300	210,300	210,288	12
Contingency	173,800	173,800	-	173,800
<i>Total Expenditures</i>	4,724,100	4,724,100	2,636,834	2,087,266
REVENUES OVER (UNDER)				
EXPENDITURES	(2,736,300)	(2,736,300)	(694,196)	2,042,104
OTHER FINANCING SOURCES (USES)				
Transfers in	27,000	27,000	27,447	447
Transfers out	(7,900)	(7,900)	(2,436)	5,464
<i>Total Other Financing Sources (Uses)</i>	19,100	19,100	25,011	5,911
NET CHANGE IN FUND BALANCE	(2,717,200)	(2,717,200)	(669,185)	2,048,015
FUND BALANCE, Beginning of year	2,906,600	2,906,600	2,827,411	(79,189)
FUND BALANCE, End of year	\$ 189,400	\$ 189,400	\$ 2,158,226	\$ 1,968,826

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - HOUSING SERVICES FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 34,841	\$ 34,841
Miscellaneous	4,300	4,300	7,991	3,691
Total Revenues	4,300	4,300	42,832	38,532
EXPENDITURES	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	4,300	4,300	42,832	38,532
FUND BALANCE, Beginning of year	134,600	134,600	135,204	604
FUND BALANCE, End of year	\$ 138,900	\$ 138,900	\$ 178,036	\$ 39,136

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL PROJECT FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ 68,200	\$ 68,200	\$ 46,222	\$ (21,978)
EXPENDITURES				
Personal services	254,700	254,700	255,630	(930)
Materials and services	63,600	108,600	545,352	(436,752)
Capital outlay	2,787,800	2,787,800	554,232	2,233,568
Contingency	31,800	31,800	-	31,800
Total Expenditures	3,137,900	3,182,900	1,355,214	1,827,686
REVENUES OVER (UNDER) EXPENDITURES	(3,069,700)	(3,114,700)	(1,308,992)	1,805,708
OTHER FINANCING SOURCES (USES)				
Issuance of debt	2,976,300	2,976,300	-	(2,976,300)
Transfers in	-	-	103,392	103,392
Transfers out	(9,100)	(9,100)	(2,806)	6,294
Total Other Financing Sources (Uses)	2,967,200	2,967,200	100,586	(2,866,614)
NET CHANGE IN FUND BALANCE	(102,500)	(147,500)	(1,208,406)	(1,060,906)
FUND BALANCE, Beginning of year	455,300	455,300	1,473,449	1,018,149
FUND BALANCE, End of year	\$ 352,800	\$ 307,800	\$ 265,043	\$ (42,757)

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - URBAN RENEWAL TAX INCREMENT FUND
YEAR ENDED JUNE 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes and assessments	\$ 2,824,300	\$ 2,824,300	\$ 2,938,425	\$ 114,125
Miscellaneous	41,400	41,400	107,787	66,387
<i>Total Revenues</i>	2,865,700	2,865,700	3,046,212	180,512
EXPENDITURES				
Debt service	2,976,300	2,976,300	-	2,976,300
REVENUES OVER (UNDER) EXPENDITURES	(110,600)	(110,600)	3,046,212	3,156,812
FUND BALANCE, Beginning of year	110,600	110,600	378,905	268,305
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,425,117</u>	<u>\$ 3,425,117</u>

OTHER SUPPLEMENTARY INFORMATION

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - KEIZER STATION LID FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 926,916	\$ 926,916
EXPENDITURES				
Materials and services	21,600	46,600	46,617	(17)
Capital outlay	7,609,300	5,884,300	4,047,173	1,837,127
Debt service	-	1,700,000	918,951	781,049
<i>Total Expenditures</i>	<u>7,630,900</u>	<u>7,630,900</u>	<u>5,012,741</u>	<u>2,618,159</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(7,630,900)</u>	<u>(7,630,900)</u>	<u>(4,085,825)</u>	<u>3,545,075</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	6,500,000	6,500,000	4,150,000	(2,350,000)
Transfers out	(27,000)	(27,000)	(126,879)	(99,879)
<i>Total Other Financing Sources (Uses)</i>	<u>6,473,000</u>	<u>6,473,000</u>	<u>4,023,121</u>	<u>(2,449,879)</u>
NET CHANGE IN FUND BALANCE	<u>(1,157,900)</u>	<u>(1,157,900)</u>	<u>(62,704)</u>	<u>1,095,196</u>
FUND BALANCE (DEFICIT), Beginning of year	<u>1,157,900</u>	<u>1,157,900</u>	<u>(518,476)</u>	<u>(1,676,376)</u>
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (581,180)</u>	<u>\$ (581,180)</u>

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The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2007

	<i>Special Revenue</i>		
	<i>Revenue Sharing</i>	<i>Law Enforcement Grant</i>	<i>911 Fund</i>
ASSETS			
Cash and investments	\$ 67,525	\$ -	\$ -
Accounts receivable	52,451	4,957	96,215
<i>Total Assets</i>	<u>\$ 119,976</u>	<u>\$ 4,957</u>	<u>\$ 96,215</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 3,251	\$ -	\$ 42,070
Due to other funds	-	5,146	56,867
<i>Total Liabilities</i>	3,251	5,146	98,937
Fund Balances			
Unreserved (deficit), reported in:			
Special revenue funds	116,725	(189)	(2,722)
<i>Total Fund Balances</i>	<u>116,725</u>	<u>(189)</u>	<u>(2,722)</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 119,976</u>	<u>\$ 4,957</u>	<u>\$ 96,215</u>

<i>Public Education Government</i>	<i>Transportation Improvement</i>	<i>City Hall Facility</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ 15,272	\$ 1,192,556	\$ 1,848	\$ 571,316	\$ 1,848,517
23,726	-	-	150,000	327,349
<u>\$ 38,998</u>	<u>\$ 1,192,556</u>	<u>\$ 1,848</u>	<u>\$ 721,316</u>	<u>\$ 2,175,866</u>
\$ -	\$ -	\$ -	\$ 24,743	\$ 70,064
-	-	-	-	62,013
-	-	-	24,743	132,077
<u>38,998</u>	<u>1,192,556</u>	<u>1,848</u>	<u>696,573</u>	<u>2,043,789</u>
<u>38,998</u>	<u>1,192,556</u>	<u>1,848</u>	<u>696,573</u>	<u>2,043,789</u>
<u>\$ 38,998</u>	<u>\$ 1,192,556</u>	<u>\$ 1,848</u>	<u>\$ 721,316</u>	<u>\$ 2,175,866</u>

CITY OF KEIZER, OREGON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2007**

	<i>Special Revenue</i>		
	<i>Revenue Sharing</i>	<i>Law Enforcement Grant</i>	<i>911 Fund</i>
REVENUES			
Licenses and permits	\$ -	\$ -	\$ -
Intergovernmental	207,104	30,674	185,205
Miscellaneous	-	-	-
<i>Total Revenues</i>	<u>207,104</u>	<u>30,674</u>	<u>185,205</u>
EXPENDITURES			
Current operating:			
General government	-	-	-
Parks	-	-	-
Public safety	-	-	246,766
Capital outlay	273,500	28,133	-
<i>Total Expenditures</i>	<u>273,500</u>	<u>28,133</u>	<u>246,766</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(66,396)</u>	<u>2,541</u>	<u>(61,561)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	122,700	-	81,800
Transfers out	-	-	-
<i>Total Other Financing Sources (Uses)</i>	<u>122,700</u>	<u>-</u>	<u>81,800</u>
NET CHANGE IN FUND BALANCES	<u>56,304</u>	<u>2,541</u>	<u>20,239</u>
FUND BALANCES, Beginning of year	<u>60,421</u>	<u>(2,730)</u>	<u>(22,961)</u>
FUND BALANCES (DEFICIT), End of year	<u>\$ 116,725</u>	<u>\$ (189)</u>	<u>\$ (2,722)</u>

<i>Public Education Government</i>	<i>Transporation Improvement</i>	<i>City Hall Facility</i>	<i>Park Improvement</i>	<i>Totals</i>
\$ 92,622	\$ 289,934	\$ -	\$ 48,542	\$ 431,098
-	-	-	152,000	574,983
175	48,615	37	29,530	78,357
<u>92,797</u>	<u>338,549</u>	<u>37</u>	<u>230,072</u>	<u>1,084,438</u>
64,380	-	-	-	64,380
-	-	-	9,678	9,678
-	-	-	-	246,766
19,844	-	36,583	131,580	489,640
<u>84,224</u>	<u>-</u>	<u>36,583</u>	<u>141,258</u>	<u>810,464</u>
8,573	338,549	(36,546)	88,814	273,974
-	-	38,141	-	242,641
(1,067)	-	-	(4,180)	(5,247)
<u>(1,067)</u>	<u>-</u>	<u>38,141</u>	<u>(4,180)</u>	<u>237,394</u>
7,506	338,549	1,595	84,634	511,368
<u>31,492</u>	<u>854,007</u>	<u>253</u>	<u>611,939</u>	<u>1,532,421</u>
<u>\$ 38,998</u>	<u>\$ 1,192,556</u>	<u>\$ 1,848</u>	<u>\$ 696,573</u>	<u>\$ 2,043,789</u>

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - REVENUE SHARING FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 215,400	\$ 215,400	\$ 207,104	\$ (8,296)
EXPENDITURES				
Capital outlay	360,500	360,500	273,500	87,000
REVENUES OVER (UNDER) EXPENDITURES	(145,100)	(145,100)	(66,396)	78,704
OTHER FINANCING SOURCES (USES)				
Transfers in	122,700	122,700	122,700	-
NET CHANGE IN FUND BALANCE	(22,400)	(22,400)	56,304	78,704
FUND BALANCE, Beginning of year	22,400	22,400	60,421	38,021
FUND BALANCE, End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 116,725</u>	<u>\$ 116,725</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LAW ENFORCEMENT GRANT FUND
YEAR ENDED JUNE 30, 2007**

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 30,674	\$ (19,326)
EXPENDITURES				
Materials and services	25,000	25,000	-	25,000
Capital outlay	25,000	25,000	28,133	(3,133)
Total Expenditures	50,000	50,000	28,133	21,867
REVENUES OVER (UNDER) EXPENDITURES	-	-	2,541	2,541
FUND BALANCE (DEFICIT), Beginning of year	-	-	(2,730)	(2,730)
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (189)</u>	<u>\$ (189)</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - 911 FUND
YEAR ENDED JUNE 30, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Intergovernmental	\$ 149,500	\$ 169,500	\$ 185,205	\$ 15,705
Miscellaneous	100	100	-	(100)
<i>Total Revenues</i>	149,600	169,600	185,205	15,605
EXPENDITURES				
Materials and services	231,400	251,400	246,766	4,634
REVENUES OVER (UNDER) EXPENDITURES	(81,800)	(81,800)	(61,561)	20,239
OTHER FINANCING SOURCES (USES)				
Transfers in	81,800	81,800	81,800	-
NET CHANGE IN FUND BALANCE	-	-	20,239	20,239
FUND BALANCE (DEFICIT), Beginning of year	-	-	(22,961)	(22,961)
FUND BALANCE (DEFICIT), End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,722)</u>	<u>\$ (2,722)</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PUBLIC EDUCATION GOVERNMENT FUND
YEAR ENDED JUNE 30, 2007

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance</i>
	<i>Original</i>	<i>Final</i>		
REVENUES				
Licenses and permits	\$ 83,400	\$ 83,400	\$ 92,622	\$ 9,222
Miscellaneous	200	200	175	(25)
<i>Total Revenues</i>	83,600	83,600	92,797	9,197
EXPENDITURES				
Materials and services	61,400	64,400	64,380	20
Capital outlay	15,200	20,500	19,844	656
Contingency	8,300	-	-	-
<i>Total Expenditures</i>	84,900	84,900	84,224	676
REVENUES OVER (UNDER) EXPENDITURES	(1,300)	(1,300)	8,573	9,873
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,700)	(2,700)	(1,067)	1,633
NET CHANGE IN FUND BALANCE	(4,000)	(4,000)	7,506	11,506
FUND BALANCE, Beginning of year	29,000	29,000	31,492	2,492
FUND BALANCE, End of year	<u>\$ 25,000</u>	<u>\$ 25,000</u>	<u>\$ 38,998</u>	<u>\$ 13,998</u>

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - TRANSPORTATION IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and permits	\$ 141,300	\$ 141,300	\$ 289,934	\$ 148,634
Miscellaneous	14,300	14,300	48,615	34,315
Total Revenues	155,600	155,600	338,549	182,949
EXPENDITURES				
Contingency	870,500	870,500	-	870,500
REVENUES OVER (UNDER)				
EXPENDITURES	(714,900)	(714,900)	338,549	1,053,449
FUND BALANCE, Beginning of year	714,900	714,900	854,007	139,107
FUND BALANCE, End of year	\$ -	\$ -	\$ 1,192,556	\$ 1,192,556

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - CITY HALL FACILITY FUND
YEAR ENDED JUNE 30, 2007

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Miscellaneous	\$ -	\$ -	\$ 37	\$ 37
EXPENDITURES				
Capital outlay	115,000	115,000	36,583	78,417
REVENUES OVER (UNDER)				
EXPENDITURES	(115,000)	(115,000)	(36,546)	78,454
OTHER FINANCING SOURCES (USES)				
Transfers in	115,000	115,000	38,141	(76,859)
NET CHANGE IN FUND BALANCE	-	-	1,595	1,595
FUND BALANCE, Beginning of year	-	-	253	253
FUND BALANCE, End of year	\$ -	\$ -	\$ 1,848	\$ 1,848

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - PARK IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Licenses and permits	\$ 172,400	\$ 172,400	\$ 48,542	\$ (123,858)
Intergovernmental	-	-	152,000	152,000
Miscellaneous	19,500	19,500	29,530	10,030
Total Revenues	191,900	191,900	230,072	38,172
EXPENDITURES				
Materials and services	-	10,000	9,678	322
Capital outlay	1,682,300	1,672,300	131,580	1,540,720
Total Expenditures	1,682,300	1,682,300	141,258	1,541,042
REVENUES OVER (UNDER) EXPENDITURES	(1,490,400)	(1,490,400)	88,814	1,579,214
OTHER FINANCING SOURCES (USES)				
Transfers out	(7,300)	(7,300)	(4,180)	3,120
NET CHANGE IN FUND BALANCE	(1,497,700)	(1,497,700)	84,634	1,582,334
FUND BALANCE, Beginning of year	1,497,700	1,497,700	611,939	(885,761)
FUND BALANCE, End of year	\$ -	\$ -	\$ 696,573	\$ 696,573

The budgetary basis of accounting and GAAP are the same.

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Licenses and permits	\$ 1,400	\$ 1,400	\$ 8,406	\$ 8,406
Charges for services	4,061,600	4,161,600	4,399,934	4,409,969
Miscellaneous	-	-	5,462	5,462
Total Revenues	4,063,000	4,163,000	4,413,802	4,423,837
EXPENDITURES				
Personal services	186,400	186,400	187,696	187,593
Materials and services	3,863,300	3,963,300	3,915,428	3,919,560
Capital outlay/depreciation	5,700	5,700	4,132	225,339
Contingency	14,600	14,600	-	-
Total Expenditures	4,070,000	4,170,000	4,107,256	4,332,492
REVENUES OVER (UNDER) EXPENSES	(7,000)	(7,000)	306,546	91,345
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	43,833
Transfers out	(10,700)	(10,700)	(3,299)	(3,299)
Loss on disposition of assets	-	-	-	(2,871)
Total Other Financing Sources (Uses)	(10,700)	(10,700)	(3,299)	37,663
NET CHANGE IN FUND BALANCE	(17,700)	(17,700)	303,247	129,008
FUND BALANCE, Beginning of year	45,900	45,900	138,767	2,227,711
FUND BALANCE, End of year	\$ 28,200	\$ 28,200	\$ 442,014	\$ 2,356,719

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Licenses and permits	\$ 5,000	\$ 5,000	\$ 21,738	\$ 21,738
Charges for services	2,373,000	2,373,000	2,750,198	2,772,521
Miscellaneous	78,200	78,200	135,834	135,834
Total Revenues	2,456,200	2,456,200	2,907,770	2,930,093
EXPENDITURES				
Personal services	1,015,600	1,015,600	1,012,068	1,009,346
Materials and services	872,900	872,900	810,698	787,559
Capital outlay/depreciation	339,000	339,000	304,874	207,267
Debt service	238,900	238,900	238,833	103,833
Contingency	123,300	123,300	-	-
Total Expenditures	2,589,700	2,589,700	2,366,473	2,108,005
REVENUES OVER (UNDER) EXPENSES	(133,500)	(133,500)	541,297	822,088
OTHER FINANCING SOURCES (USES)				
Transfers out	(789,700)	(789,700)	(774,483)	(3,374,483)
NET CHANGE IN FUND BALANCE	(923,200)	(923,200)	(233,186)	(2,552,395)
FUND BALANCE, Beginning of year	1,334,300	1,334,300	1,162,061	4,014,822
FUND BALANCE, End of year	\$ 411,100	\$ 411,100	\$ 928,875	\$ 1,462,427

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - SEWER RESERVE FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Budget Basis	GAAP Basis
	Original	Final		
REVENUES				
Licenses and permits	\$ 349,000	\$ 349,000	\$ 154,002	\$ 130,997
Charges for services	-	-	44,275	44,275
Miscellaneous	2,200	2,200	992	992
Total Revenues	351,200	351,200	199,269	176,264
EXPENDITURES				
Materials and services	5,000	5,000	-	-
Capital outlay/depreciation	445,000	445,000	43,833	-
Total Expenditures	450,000	450,000	43,833	-
REVENUES OVER (UNDER) EXPENSES	(98,800)	(98,800)	155,436	176,264
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(43,833)
NET CHANGE IN FUND BALANCE	(98,800)	(98,800)	155,436	132,431
FUND BALANCE, Beginning of year	772,900	772,900	818,693	846,325
FUND BALANCE, End of year	\$ 674,100	\$ 674,100	\$ 974,129	\$ 978,756

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - LIGHTING DISTRICTS FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Budget	GAAP
	Original	Final	Basis	Basis
REVENUES				
Charges for services	\$ 432,100	\$ 432,100	\$ 409,993	\$ 404,918
Miscellaneous	-	-	1	1
Total Revenues	432,100	432,100	409,994	404,919
EXPENDITURES				
Personal services	48,200	48,200	48,088	48,157
Materials and services	359,900	359,900	357,021	357,895
Capital outlay/depreciation	1,200	1,200	874	-
Contingency	20,600	20,600	-	-
Total Expenditures	429,900	429,900	405,983	406,052
REVENUES OVER (UNDER) EXPENSES	2,200	2,200	4,011	(1,133)
OTHER FINANCING SOURCES (USES)				
Transfers out	(2,200)	(2,200)	(678)	(678)
NET CHANGE IN FUND BALANCE	-	-	3,333	(1,811)
FUND BALANCE, Beginning of year	210,900	210,900	203,756	227,632
FUND BALANCE, End of year	\$ 210,900	\$ 210,900	\$ 207,089	\$ 225,821

CITY OF KEIZER, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - WATER FACILITY FUND
YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Budget	GAAP
	Original	Final	Basis	Basis
REVENUES				
Licenses and permits	\$ 169,800	\$ 169,800	\$ 101,093	\$ 101,093
Miscellaneous	88,200	88,200	111,446	111,446
Total Revenues	258,000	258,000	212,539	212,539
EXPENDITURES				
Materials and services	-	-	-	-
Capital outlay/depreciation	2,473,000	2,473,000	1,449,397	143,955
Contingency	234,100	234,100	-	-
Total Expenditures	2,707,100	2,707,100	1,449,397	143,955
REVENUES OVER (UNDER) EXPENSES	(2,449,100)	(2,449,100)	(1,236,858)	68,584
OTHER FINANCING SOURCES (USES)				
Transfers in	767,700	767,700	767,700	3,367,700
NET CHANGE IN FUND BALANCE	(1,681,400)	(1,681,400)	(469,158)	3,436,284
FUND BALANCE, Beginning of year	2,318,900	2,318,900	2,376,357	2,319,247
FUND BALANCE, End of year	\$ 637,500	\$ 637,500	\$ 1,907,199	\$ 5,755,531

CITY OF KEIZER, OREGON
PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2007

<i>Tax Year</i>	<i>Uncollected Balances July 1, 2006</i>	<i>2006-2007 Levy</i>	<i>Added To Rolls</i>	<i>Discounts & Adjustments</i>	<i>Turnovers</i>	<i>Uncollected Balances June 30, 2007</i>
2006-2007	\$ -	\$ 3,225,446	\$ 2,613	\$ (87,984)	\$ (3,039,852)	\$ 100,223
2005-2006	91,434	-	1	(2,002)	(56,446)	32,987
2004-2005	35,207	-	-	(717)	(15,550)	18,940
2003-2004	18,655	-	-	(314)	(9,089)	9,252
2002-2003	8,878	-	-	(168)	(6,291)	2,419
2001-2002	2,070	-	-	(80)	(498)	1,492
2000-2001	1,643	-	-	(30)	(473)	1,140
Prior Years	3,144	-	-	(23)	(715)	2,406
Total	\$ 161,031	\$ 3,225,446	\$ 2,614	\$ (91,318)	\$ (3,128,914)	\$ 168,859

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CITY OF KEIZER, OREGON
SCHEDULE OF BOND TRANSACTIONS
YEAR ENDED JUNE 30, 2007

BOND PRINCIPAL TRANSACTIONS

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Fiscal Year of Maturity</i>
General Obligation Bonds			
Gas Tax Revenue Bonds 2005	3.92%	2005	2015-16
2005 Water Revenue Loan	4.10%	2005	2020-2021

BOND INTEREST TRANSACTIONS

	<i>Interest Rates</i>	<i>Date of Issue</i>	<i>Unmatured Interest Outstanding July 1, 2006</i>
General Obligation Bonds			
Gas Tax Revenue Bonds 2005	3.92%	2005	362,404
2005 Water Revenue Loan	4.10%	2005	876,375
			<u>\$ 1,238,779</u>

<i>Outstanding July 1, 2006</i>	<i>Bonds Issued</i>	<i>Bonds Paid</i>	<i>Outstanding June 30, 2007</i>
1,738,000	-	(145,000)	1,593,000
2,600,000	-	(135,000)	2,465,000
<u>\$ 4,338,000</u>	<u>\$ -</u>	<u>\$ (280,000)</u>	<u>\$ 4,058,000</u>

<i>New Issues</i>	<i>Interest Coupons Paid</i>	<i>Unmatured Interest June 30, 2007</i>
-	(65,288)	297,116
-	(103,833)	772,542
<u>\$ -</u>	<u>\$ (169,121)</u>	<u>\$ 1,069,658</u>

CITY OF KEIZER, OREGON
SCHEDULE OF FUTURE DEBT REQUIREMENTS BY ISSUE
YEAR ENDED JUNE 30, 2007

<i>Fiscal Year Ending June 30,</i>	<i>Gas Tax Revenue Bonds 2005</i>			<i>2005 Water Revenue Loan</i>		
	<i>Principal</i>	<i>Interest</i>	<i>Total</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2008	\$ 151,000	\$ 59,486	\$ 210,486	\$ 135,000	\$ 98,297	\$ 233,297
2009	157,000	53,449	210,449	140,000	92,660	232,660
2010	163,000	47,177	210,177	145,000	86,817	231,817
2011	169,000	40,670	209,670	150,000	80,770	230,770
2012	176,000	33,908	209,908	155,000	74,518	229,518
2013	183,000	26,872	209,872	165,000	67,958	232,958
2014	190,000	19,561	209,561	170,000	61,090	231,090
2015	198,000	11,956	209,956	180,000	53,915	233,915
2016	206,000	4,037	210,037	185,000	46,432	231,432
2017	-	-	-	190,000	38,745	228,745
2018	-	-	-	200,000	30,750	230,750
2019	-	-	-	210,000	22,345	232,345
2020	-	-	-	215,000	13,633	228,633
2021	-	-	-	225,000	4,612	229,612
	<u>\$ 1,593,000</u>	<u>\$ 297,116</u>	<u>\$ 1,890,116</u>	<u>\$ 2,465,000</u>	<u>\$ 772,542</u>	<u>\$ 3,237,542</u>

<i>Totals</i>		
<i>Principal</i>	<i>Interest</i>	<i>Total</i>
\$ 286,000	\$ 157,783	\$ 443,783
297,000	146,109	443,109
308,000	133,994	441,994
319,000	121,440	440,440
331,000	108,426	439,426
348,000	94,830	442,830
360,000	80,651	440,651
378,000	65,871	443,871
391,000	50,469	441,469
190,000	38,745	228,745
200,000	30,750	230,750
210,000	22,345	232,345
215,000	13,633	228,633
225,000	4,612	229,612
<u>\$ 4,058,000</u>	<u>\$ 1,069,658</u>	<u>\$ 5,127,658</u>

STATISTICAL SECTION

The Statistical Section of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the overall financial health of the City of Keizer.

FINANCIAL TRENDS

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

DEBT CAPACITY

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

OPERATING INFORMATION

These schedules contain service and infrastructure data to help the reader understand how the information in the financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

STATISTICAL SECTION

FINANCIAL TRENDS

CITY OF KEIZER, OREGON
SCHEDULE OF NET ASSETS BY COMPONENT
LAST FIVE FISCAL YEARS - UNAUDITED

	Fiscal Year				
	2007	2006	2005	2004	2003
Governmental activities:					
Invested in capital assets, net of related debt	\$ 28,189,116	\$ 27,955,845	\$ 23,224,084	\$ 16,394,836	\$ 15,241,660
Reserved for special purposes	2,557,208	3,197,412	3,281,549	9,563,822	8,145,459
Unrestricted	6,998,358	4,272,316	4,093,466	1,391,744	971,777
<i>Total governmental activities net assets</i>	<i>37,744,682</i>	<i>35,425,573</i>	<i>30,599,099</i>	<i>27,350,402</i>	<i>24,358,896</i>
Business-type activities:					
Invested in capital assets, net of related debt	5,883,166	5,281,178	6,064,309	6,598,348	6,756,074
Reserved for special purposes	-	-	-	-	-
Unrestricted	4,894,554	4,354,559	3,079,828	2,459,079	1,721,609
<i>Total business-type activities nets assets</i>	<i>10,777,720</i>	<i>9,635,737</i>	<i>9,144,137</i>	<i>9,057,427</i>	<i>8,477,683</i>
Total government:					
Invested in capital assets, net of related debt	34,072,282	33,237,023	29,288,393	22,993,184	21,997,734
Reserved for special purposes	2,557,208	3,197,412	3,281,549	9,563,822	8,145,459
Unrestricted	11,892,912	8,626,875	7,173,294	3,850,823	2,693,386
<i>Total government net assets</i>	<i>\$ 48,522,402</i>	<i>\$ 45,061,310</i>	<i>\$ 39,743,236</i>	<i>\$ 36,407,829</i>	<i>\$ 32,836,579</i>

Source: City of Keizer Finance Department

Source: CAFR Statement of Net Assets

Financial trend schedule: Net assets by component is intended to provide the user with summary data to analyze changes in the components of net assets.

Accompanying schedule: Changes in net assets provides the user with additional detail for analytical purposes.

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

CITY OF KEIZER, OREGON
CHANGES IN NET ASSETS
LAST FIVE FISCAL YEARS - UNAUDITED

	Fiscal Year				
	2007	2006	2005	2004	2003
Expenses:					
Governmental activities:					
General government	\$ 1,105,397	\$ 1,482,804	\$ 2,263,474	\$ 2,156,572	\$ 1,790,961
Community and youth services	5,891	5,104	4,400	441	1,296
Community development	2,477,616	2,169,848	1,553,543	799,064	870,278
Parks	182,179	177,860	175,029	110,806	107,900
Public safety	5,779,195	5,426,593	5,181,421	4,512,031	4,592,191
Public works	1,477,995	1,498,709	726,596	739,176	682,003
Stadium operations	-	40,515	40,610	38,343	36,300
Interest on long-term debt	984,239	607,443	190,224	224,631	-
<i>Total governmental activities expenses</i>	<i>12,012,512</i>	<i>11,408,876</i>	<i>10,135,297</i>	<i>8,581,064</i>	<i>8,080,929</i>
Business-type activities:					
Water	2,253,494	2,192,830	2,041,226	1,836,951	1,767,710
Sewer and storm drain	4,335,363	4,106,832	4,074,941	3,961,489	3,587,126
Street lighting	406,052	397,772	399,682	379,419	380,140
<i>Total business-type activities expenses</i>	<i>6,994,909</i>	<i>6,697,434</i>	<i>6,515,849</i>	<i>6,177,859</i>	<i>5,734,976</i>
<i>Total government expenses</i>	<i>\$ 19,007,421</i>	<i>\$ 18,106,310</i>	<i>\$ 16,651,146</i>	<i>\$ 14,758,923</i>	<i>\$ 13,815,905</i>
Program Revenues:					
Governmental activities:					
Fees, fines and charges for services:					
General government	\$ 147,399	\$ 156,286	\$ 147,149	\$ 128,098	\$ 118,111
Community and youth services	-	-	-	-	-
Community development	67,114	125,927	57,207	77,946	64,099
Parks	3,201	2,780	2,350	194,560	196,385
Public safety	654,136	723,302	473,327	372,964	443,464
Public works	60,448	212,908	82,025	20,080	11,938
Stadium operations	57,425	56,798	53,053	65,847	44,667
Operating grants and contributions	2,127,964	2,783,622	1,904,784	1,769,053	1,595,022
Capital grants and contributions	440,321	1,647,944	617,998	68,733	34,396
<i>Total governmental activities program revenues</i>	<i>3,558,008</i>	<i>5,709,567</i>	<i>3,337,893</i>	<i>2,697,281</i>	<i>2,508,082</i>
Business-type activities:					
Fees, fines and charges for services:					
Water	2,832,074	2,188,101	1,997,748	2,234,050	1,859,555
Sewer and storm drain	4,418,375	3,906,054	3,905,878	4,030,082	3,500,601
Street lighting	404,918	470,218	467,401	454,536	387,954
Operating grants and contributions	27,783	23,913	2,934	11,668	18,917
Capital grants and contributions	276,365	442,663	378,485	-	-
<i>Total business-type activities program revenues</i>	<i>7,959,515</i>	<i>7,030,949</i>	<i>6,752,446</i>	<i>6,730,336</i>	<i>5,767,027</i>
<i>Total government program revenues</i>	<i>\$ 11,517,523</i>	<i>\$ 12,740,516</i>	<i>\$ 10,090,339</i>	<i>\$ 9,427,617</i>	<i>\$ 8,275,109</i>

Financial trend schedule: Changes in net assets is intended to provide the user with detailed information related to net asset activities and changes in those activities.

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

	Fiscal Year				
	2007	2006	2005	2004	2003
Net (Expense)/Revenue					
Governmental activities	\$ (8,454,504)	\$ (5,699,309)	\$ (6,797,404)	\$ (5,883,783)	\$ (5,572,847)
Business-type activities	964,606	333,515	236,597	552,477	32,051
<i>Total government activities</i>	<u>(7,489,898)</u>	<u>(5,365,794)</u>	<u>(6,560,807)</u>	<u>(5,331,306)</u>	<u>(5,540,796)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes and assessments	6,062,528	6,782,351	6,332,711	6,053,862	5,770,276
Licenses and permits	2,283,966	2,156,426	1,947,010	1,961,642	1,793,520
Intergovernmental	891,629	750,630	771,629	744,190	701,662
Miscellaneous	1,524,730	829,146	260,848	209,733	198,299
Gain (loss) on sale of capital assets	-	-	733,908	(94,140)	-
Transfers	10,760	7,230	-	-	-
<i>Total governmental activities</i>	<u>10,773,613</u>	<u>10,525,783</u>	<u>10,046,106</u>	<u>8,875,287</u>	<u>8,463,757</u>
Business-type activities:					
Miscellaneous	188,137	165,315	50,115	27,270	23,403
Gain (loss) on sale of capital assets	-	-	(200,000)	-	-
Transfers	(10,760)	(7,230)	-	-	-
<i>Total business-type activities</i>	<u>177,377</u>	<u>158,085</u>	<u>(149,885)</u>	<u>27,270</u>	<u>23,403</u>
<i>Total government revenues</i>	<u>10,950,990</u>	<u>10,683,868</u>	<u>9,896,221</u>	<u>8,902,557</u>	<u>8,487,160</u>
Changes in Net Assets					
Governmental activities	2,319,109	4,826,474	3,248,702	2,991,504	2,890,910
Business-type activities	1,141,983	491,600	86,712	579,747	55,454
	<u>3,461,092</u>	<u>5,318,074</u>	<u>3,335,414</u>	<u>3,571,251</u>	<u>2,946,364</u>
Net Assets, July 1					
Governmental activities	35,425,573	30,599,099	27,350,400	24,358,896	21,467,986
Business-type activities	<u>9,635,737</u>	<u>9,144,137</u>	<u>9,057,430</u>	<u>8,477,683</u>	<u>8,877,447</u>
	<u>45,061,310</u>	<u>39,743,236</u>	<u>36,407,830</u>	<u>32,836,579</u>	<u>30,345,433</u>
Business-type activities - change in capitalization pool	-	-	-	-	(455,218)
<i>Total Government</i>	<u>45,061,310</u>	<u>39,743,236</u>	<u>36,407,830</u>	<u>32,836,579</u>	<u>29,890,215</u>
Net Assets, June 30					
Governmental activities	37,744,682	35,425,573	30,599,099	27,350,400	24,358,896
Business-type activities	<u>10,777,720</u>	<u>9,635,737</u>	<u>9,144,137</u>	<u>9,057,430</u>	<u>8,477,683</u>
<i>Total Government</i>	<u>\$ 48,522,402</u>	<u>\$ 45,061,310</u>	<u>\$ 39,743,236</u>	<u>\$ 36,407,830</u>	<u>\$ 32,836,579</u>

Source: City of Keizer Finance Department

Source: CAFR Statement of Activities

CITY OF KEIZER, OREGON
FUND BALANCES - GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS - UNAUDITED

	Fiscal Year				
	2007	2006	2005	2004	2003
General fund, unreserved	<u>\$1,968,795</u>	<u>\$1,469,417</u>	<u>\$1,243,622</u>	<u>\$1,537,345</u>	<u>\$1,093,153</u>
All other governmental funds					
Unreserved, reported in:					
Special revenue funds	\$8,070,211	\$6,347,390	\$4,962,340	\$8,197,162	\$6,951,770
Capital project funds	(581,180)	(518,476)	935,397	908,703	683,897
<i>Total all other governmental funds</i>	<u>\$7,489,031</u>	<u>\$5,828,914</u>	<u>\$5,897,737</u>	<u>\$9,105,865</u>	<u>\$7,635,667</u>

This schedule normally requires presentation of ten years of data. Governmental Accounting Standards Board (GASB) Statement No. 44 permits the City to retroactively present data beginning with the implementation of GASB Statement No. 34, which occurred June 30, 2003.

CITY OF KEIZER, OREGON
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST FIVE FISCAL YEARS - UNAUDITED

	Fiscal Year				
	2007	2006	2005	2004	2003
Revenues					
Taxes and assessments	\$ 6,167,077	\$ 6,885,664	\$ 6,433,869	\$ 6,071,753	\$ 5,743,671
Licenses and permits	2,874,189	3,312,046	2,345,388	2,191,270	1,942,555
Intergovernmental	3,076,740	3,525,310	2,630,074	2,544,839	2,320,107
Fines and forfeitures	654,136	545,247	473,327	370,964	443,464
Miscellaneous	1,613,935	2,029,377	819,887	531,912	498,393
Total revenues	14,386,077	16,297,644	12,702,545	11,712,738	10,948,190
Expenditures					
Current operating:					
General government	812,189	745,142	841,178	643,722	588,800
Community and youth services	5,891	5,104	4,400	441	1,296
Community development	1,164,131	781,603	1,636,548	792,396	606,088
Parks	161,422	161,308	132,165	110,801	107,661
Public safety	5,519,381	5,179,650	5,001,246	4,498,140	4,417,328
Public works	848,079	734,385	716,465	665,252	642,068
Stadium operations	-	40,515	40,610	38,343	36,300
Capital outlay	6,747,010	25,712,264	7,811,339	2,084,622	1,264,843
Debt service:					
Principal	145,000	3,445,000	750,000	740,000	725,000
Interest	984,239	607,443	190,224	224,631	256,600
Total expenditures	16,387,342	37,612,414	17,124,175	9,798,348	8,645,984
Revenues over (under) expenditures	(2,001,265)	(21,114,770)	(4,421,630)	1,914,390	2,302,206
Other financing sources (uses)					
Loan proceeds	4,150,000	22,308,000	2,514,912	5,225,000	-
Loan payments	-	(1,000,000)	(2,514,912)	(5,225,000)	-
Land sale proceeds	-	-	919,778	-	-
Transfers in	378,727	1,369,099	284,491	78,574	95,088
Transfers out	(367,967)	(1,380,159)	(284,491)	(78,574)	(95,088)
Total other financing sources (uses)	4,160,760	21,296,940	919,778	-	-
Net change in fund balances	\$ 2,159,495	\$ 182,170	\$ (3,501,832)	\$ 1,914,390	\$ 2,302,206
Debt service as a % of noncapital expenditures	13.27%	52.59%	11.23%	14.28%	15.34%

STATISTICAL SECTION

REVENUE CAPACITY

Source: City of Keizer Finance Department

Source: CAFR Statement of Revenues, Expenditures & Changes in Fund Balance

CITY OF KEIZER, OREGON

ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS - UNAUDITED (in thousands of dollars)

	<u>Residential Property</u>	<u>Farm Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Personal Property</u>
1997-98	NA	NA	NA	NA	NA
1998-99	\$ 901,707	\$ 2,823	\$ 174,330	\$ 4,197	\$ 18,251
1999-00	974,782	2,534	191,059	4,138	17,176
2000-01	1,044,951	2,182	202,542	4,009	18,243
2001-02	1,105,734	1,866	213,152	3,770	19,463
2002-03	1,158,236	2,412	221,825	3,698	19,827
2003-04	1,214,867	2,346	229,931	3,796	19,087
2004-05	1,276,334	2,428	239,725	3,976	17,959
2005-06	1,337,968	2,121	252,686	4,034	20,589
2006-07	1,390,319	1,636	288,657	4,412	21,505

SOURCE:
Kim Gushulak
Appraiser
Marion County Assessor's Office
503-588-5133

NA = not available

<u>Utility Property</u>	<u>Total Measure 50 Assessed Value</u>	<u>Real Market Value</u>	<u>Ratio of Total Assessed Value to Real Market Value</u>
NA	1,063,316	NA	NA
\$ 22,268	\$ 1,123,576	\$ 1,369,769	82.0 %
24,490	1,214,179	1,480,930	82.0
26,395	1,298,322	1,618,359	80.2
29,519	1,373,504	1,722,643	79.7
31,314	1,437,312	1,814,135	79.2
31,459	1,501,486	1,891,624	79.4
35,555	1,575,977	2,031,390	77.6
32,769	1,650,167	2,220,579	74.3
32,246	1,738,775	2,525,782	68.8

CITY OF KEIZER, OREGON

DIRECT AND OVERLAPPING PROPERTY TAXES

LAST TEN FISCAL YEARS - UNAUDITED (rate per \$1,000 of assessed value)

	<u>2006-07</u>	<u>2005-06</u>	<u>2004-05</u>	<u>2003-04</u>	<u>2002-03</u>
City of Keizer	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08
Overlapping Governments:					
Marion County	3.02	3.02	3.02	3.02	3.02
Keizer Fire District	1.85	1.87	1.88	1.87	1.54
Marion County Fire District	2.37	2.34	2.35	2.37	2.42
Marion County Soil & Water	0.05	0.05	0.05	0.05	0.05
School District	6.45	6.61	7.11	6.89	6.88
Willamette Regional ESD	0.30	0.30	0.30	0.30	0.28
Community College	0.94	0.96	0.96	0.77	0.76
Regional Library	0.08	0.08	0.08	0.08	0.08
Transit District	0.76	0.76	0.76	0.76	0.76
Total	<u>\$ 17.90</u>	<u>\$ 18.07</u>	<u>\$ 18.59</u>	<u>\$ 18.19</u>	<u>\$ 17.87</u>

<u>2001-02</u>	<u>2000-01</u>	<u>1999-00</u>	<u>1998-99</u>	<u>1997-98</u>
\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08	\$ 2.08
3.02	3.02	3.02	3.02	3.01
1.55	1.55	1.55	1.55	1.59
2.44	2.46	2.50	1.90	1.90
0.05	-	-	-	-
6.98	6.87	7.08	5.86	5.86
0.28	0.28	0.28	0.28	0.28
0.76	0.76	0.80	0.82	0.83
0.08	0.08	0.08	0.08	0.08
0.76	0.76	0.76	0.76	0.76
<u>\$ 18.00</u>	<u>\$ 17.86</u>	<u>\$ 18.15</u>	<u>\$ 16.35</u>	<u>\$ 16.39</u>

Source: Marion County Summary of Tax Roll.

CITY OF KEIZER, OREGON
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO* - UNAUDITED

2007				
			Assessed	Percent
	Industry	Rank	Valuation	of Total
Private Enterprise				Assessed
Northwest National LLC	Real estate	1	\$ 10,550,180	0.44%
Lowe's HIW INC	Retail	2	10,525,098	0.44%
Keizer Campus LLC	Retirement Center	3	8,439,140	0.35%
Target Corporation	Retail	4	7,786,760	0.33%
Keizer Road Apartments LLC	Real estate	5	7,376,250	0.31%
Keizer Schoolhouse LLC	Real estate	6	6,469,550	0.27%
Senior Management Co LTD	Real estate	7	6,073,590	0.25%
Hidden Creek Loop Apartments LLC	Real estate	8	5,176,670	0.22%
Poplar Chernawa LLC	Real estate	9	4,888,480	0.21%
Century Apartments LLC	Real estate	10	4,459,755	0.19%
Team Management	Real estate	-	-	-
ASA Properties, Inc	Real estate	-	-	-
Staats Lake, LLC	Real estate	-	-	-
Safeway, Inc	Grocery store	-	-	-
Tran Co., An Oregon Corp.	Railroad	-	-	-
Public Utilities				
Northwest Natural Gas Co	Natural gas	1	12,343,200	0.52%
Portland General Electric Co	Electricity	2	10,564,000	0.44%
Qwest Corporation***	Telephone	3	6,960,200	0.29%
Government				
City of Keizer**	Municipal		4,605,950	0.19%
All other taxpayers			<u>2,276,438,371</u>	<u>95.54%</u>
Total			<u>\$ 2,382,657,194</u>	<u>100.00%</u>

1999		
	Assessed	Percent
Rank	Valuation	of Total
		Assessed
		Value
-	\$ -	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
5	4,163,970	0.39%
-	-	-
-	-	-
1	10,866,660	1.02%
2	5,021,930	0.47%
3	4,575,370	0.43%
4	4,178,870	0.39%
6	3,605,360	0.34%
1	8,507,200	0.80%
3	6,506,000	0.61%
2	6,980,242	0.66%
	3,452,840	0.32%
	<u>1,005,457,404</u>	<u>94.56%</u>
	<u>\$ 1,063,315,846</u>	<u>100.00%</u>

*Information prior to 1999 is not available

**Private Activity for Salem/Keizer Volcanoes Baseball stadium

***Operated as US West Communications, Inc in 1999

Source: Marion County Assessor

CITY OF KEIZER, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS - UNAUDITED

<u>Fiscal Year Ended June 30,</u>	<u>Taxes Levied by Assessor</u>	<u>Current Tax Collections</u>	<u>Current Tax Collections as Percent of Current Levy</u>	<u>Delinquent Tax Collections</u>
1998	\$ 1,933,439	\$ 1,811,217	93.68%	\$ 121,676
1999	2,025,233	1,874,161	92.54%	150,708
2000	2,173,946	2,029,249	93.34%	144,110
2001	2,312,503	2,145,681	92.79%	165,682
2002	2,437,208	2,261,174	92.78%	174,542
2003	2,541,447	2,360,526	92.88%	178,502
2004	2,648,896	2,475,397	93.45%	164,247
2005	2,772,455	2,582,450	93.15%	171,065
2006	2,894,613	2,803,179	96.84%	58,447
2007	3,140,075	3,039,852	96.81%	-

<u>Total Tax Collections</u>	<u>Total Tax Collections as Percent of Current Levy</u>	<u>Uncollected Taxes</u>	<u>Uncollected Taxes as Percent of Current Levy</u>
\$ 1,932,893	99.97%	\$ 546	0.03%
2,024,869	99.98%	364	0.02%
2,173,359	99.97%	587	0.03%
2,311,363	99.95%	1,140	0.05%
2,435,716	99.94%	1,492	0.06%
2,539,028	99.90%	2,419	0.10%
2,639,644	99.65%	9,252	0.35%
2,753,515	99.32%	18,940	0.68%
2,861,626	98.86%	32,987	1.14%
3,039,852	96.81%	100,223	3.19%

Source:
City of Keizer Finance Department
Marion County Tax Assessor's Office

STATISTICAL SECTION

DEBT CAPACITY

CITY OF KEIZER, OREGON

*RATIO OF BONDED DIRECT DEBT TO ASSESSED VALUE AND BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS*

<u>Fiscal Year</u>	<u>Population</u>	<u>Real market value (in thousands)</u>	<u>Gross bonded debt*</u>	<u>Bonded direct debt per capita</u>	<u>Ratio of bonded direct debt to market value</u>	<u>Bonded debt per capita to personal income</u>
1997-98	29,235	\$ 1,063,316	\$ 7,980,000	\$ 273	0.75%	1.26%
1998-99	30,260	1,123,576	7,470,000	247	0.66%	1.09%
1999-00	31,220	1,214,180	6,970,000	223	0.57%	0.94%
2000-01	32,203	1,618,359	6,395,000	199	0.40%	0.81%
2001-02	32,950	1,722,643	5,660,000	172	0.33%	0.69%
2002-03	33,100	1,814,135	4,935,000	149	0.27%	0.58%
2003-04	34,010	1,891,624	4,195,000	123	0.22%	0.47%
2004-05	34,380	2,031,390	3,445,000	100	0.17%	0.37%
2005-06	34,737	2,220,579	-	-	0.00%	0.00%
2006-07	34,880	2,525,782	-	-	0.00%	0.00%

All outstanding general obligation debt was called in fiscal year 2006

*Does not include Water Revenue Bonds or Gas Tax Loan

Source:

Marion County Oregon

City of Keizer Finance Department

Portland State University

CITY OF KEIZER, OREGON
DIRECT AND OVERLAPPING DEBT
AS OF JUNE 30, 2007 - UNAUDITED

Governmental unit	Real market Value (In Thousands)	Gross Property-tax backed debt	Percent overlapping	Net Property-tax backed debt
City of Keizer	\$ 2,525,782	\$ -	100.0000%	\$ -
Marion County	23,333,872	6,089,972	10.2389%	623,546
Keizer Fire District	2,155,126	1,593,502	98.3643%	1,567,437
Marion County Fire District	3,155,791	163,395	8.5324%	13,942
Salem-Keizer School District 24J	17,786,379	49,486,876	13.4324%	6,647,275
Chemeketa Community College	34,949,950	4,454,385	6.8359%	304,497
Willamette ESD	38,492,311	1,393,611	6.2068%	86,499
Total direct and overlapping debt		<u>\$ 63,181,741</u>		<u>\$ 9,243,196</u>

Note: Overlapping taxing jurisdictions are those that coincide, at least in part, with the geographic boundaries of the city. This schedule estimates portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Keizer.

Source: Oregon State Treasury

CITY OF KEIZER, OREGON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS - UNAUDITED

Real Market Value	<u>\$ 2,525,781,776</u>
Debt limit at three (3) percent of real market value	\$ 75,773,453
Amount of bonded debt applicable to limit: Total bonded debt outstanding	-
Legal debt margin*	<u>\$ 75,773,453</u>
Total debt applicable to the limit as a percentage of debt limit	<u>0.00%</u>

Fiscal Year	Debt Limit	Total Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable
1997-98	\$ 31,899,480	\$ 7,980,000	\$ 23,919,480	25.02%
1998-99	33,707,280	7,470,000	26,237,280	22.16%
1999-00	36,425,400	6,970,000	29,455,400	19.13%
2000-01	48,550,763	6,395,000	42,155,763	13.17%
2001-02	51,679,290	5,660,000	46,019,290	10.95%
2002-03	54,424,050	4,935,000	49,489,050	9.07%
2003-04	56,748,720	4,195,000	52,553,720	7.39%
2004-05	60,941,700	3,445,000	57,496,700	5.65%
2005-06	66,617,370	-	66,617,370	0.00%
2006-07	75,773,453	-	75,773,453	0.00%

ORS 287.004 provides a debt limit of 3% of the true cash value (market) of all taxable property within the City boundaries.

Source:
Oregon State Treasury
City of Keizer Finance Department

* The legal debt margin has been calculated in accordance with the provisions of ORS 287.004.

CITY OF KEIZER, OREGON
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Gross Revenues	Less Direct Operating Expenses	Net Revenues Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
STREET FUND - GAS TAX LOAN							
1997-98	\$ 2,189,388	\$ 1,300,493	\$ 888,895	\$ -	\$ -	-	0.0%
1998-99	1,211,534	1,493,096	(281,562)	-	-	-	0.0%
1999-00	1,488,601	1,564,441	(75,840)	-	-	-	0.0%
2000-01	1,508,348	1,197,998	310,350	-	-	-	0.0%
2001-02	1,585,347	1,487,710	117,637	-	-	-	0.0%
2002-03	1,405,803	1,002,617	403,186	-	-	-	0.0%
2003-04	1,582,591	992,656	589,935	-	-	-	0.0%
2004-05	1,798,471	1,846,774	(48,303)	-	-	-	0.0%
2005-06	2,215,653	2,998,196	(782,543)	-	28,955	28,955	-27.0%
2006-07	1,942,638	2,426,546	(483,908)	145,000	65,288	210,288	-2.3%
WATER FUND LOAN							
1997-98	1,808,241	1,052,249	755,992	382,505	71,181	453,786	1.7%
1998-99	1,857,710	1,374,685	483,025	380,220	60,012	440,232	1.1%
1999-00	1,991,459	1,413,882	577,577	340,000	41,660	381,660	1.5%
2000-01	1,883,467	1,370,100	513,367	360,000	21,800	381,600	1.3%
2001-02	1,772,739	1,375,949	396,790	-	-	-	0.0%
2002-03	1,890,154	1,416,303	473,851	-	-	-	0.0%
2003-04	2,262,835	1,470,362	792,473	-	-	-	0.0%
2004-05	2,178,271	1,698,641	479,630	-	-	-	0.0%
2005-06	2,512,001	1,752,899	759,102	-	44,713	44,713	17.0%
2006-07	2,864,857	1,796,905	1,067,952	135,000	103,833	238,833	4.5%

STATISTICAL SECTION

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF KEIZER, OREGON
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS - UNAUDITED

<u>Calendar year</u>	<u>(1) Population</u>	<u>(2) Area (square mile)</u>	<u>(1) - (2) Average Density (persons/ square mile)</u>	<u>(3) Per Capita Personal Income</u>	<u>(4) School Enrollment</u>	<u>(5) Average Annual Unemployment</u>
1998	28,757	7.36	3,907	\$ 22,609	NA	5.8%
1999	29,235	7.36	3,972	23,695	NA	5.8%
2000	30,260	7.36	4,111	24,450	6,003	5.4%
2001	32,203	7.36	4,375	24,737	6,325	6.3%
2002	32,950	7.36	4,477	25,515	7,831	7.1%
2003	33,100	7.36	4,497	25,992	7,258	7.7%
2004	34,010	7.36	4,621	27,044	7,445	7.4%
2005	34,380	7.36	4,671	28,100	7,518	6.2%
2006	34,737	7.36	4,720	28,677	7,772	6.3%
2007	34,880	7.36	4,739	NA	6,496	5.6%

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NA - Information not available

Sources: 1 Portland State University, Population Research & Census Center
2 City of Keizer Community Development Department
3 Bureau of Economic Analysis
4 Salem/Keizer School District
5 US Department of Labor, Bureau of Labor Statistics

CITY OF KEIZER, OREGON

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO - UNAUDITED

<i>Taxpayer</i>	<i>2007</i>		<i>Percentage of Total City Employment¹</i>
	<i>Number of Employees</i>	<i>Rank</i>	
State of Oregon	20,200	1	27.53%
Salem-Keizer School District	4,000	2	5.45%
Salem Hospital	3,500	3	4.77%
Marion County	1,562	4	2.13%
City of Salem*	1,536	5	2.10%
T-Mobile	1,100	6	1.50%
Norpac Foods Incorporated	1,000	7	1.36%
Chemeketa Community College*	1,000	8	1.36%
Roth's-Your Family Market	1,000	9	1.36%
Walmart	1,000	10	1.36%
Mitsubishi Silicon America			
State Accident Insurance Fund			
Fred Meyer, Incorporated			
State Farm Insurance			
Total	35,898		48.92%

*Includes full and part-time positions

Source: Oregon Employment Department
Salem Hospital Regional Health Services
Salem-Keizer Public Schools
Marion County, Business Services
SEDCOR
Salem Area Chamber of Commerce
U.S. Department of Labor, Bureau of Labor Statistics
City of Salem Human Resources

¹ U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The annual labor force for calendar year 2006 was 73,374.

² U.S. Department of Labor, Bureau of Labor, Salem, OR (MSA) - The annual labor force for calendar year 1997 was 62,944.

<i>1998</i>		
<i>Number of Employees</i>	<i>Rank</i>	<i>Percentage of Total City Employment²</i>
15,253	1	24.23%
2,790	2	4.43%
2,782	3	4.42%
1,381	5	2.20%
1,396	4	2.22%
1,170	6	1.66%
1,032	7	1.64%
732	8	1.17%
689	9	1.09%
651	10	1.03%
27,876		\$ 44.29%

STATISTICAL SECTION

OPERATING INFORMATION

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CITY OF KEIZER, OREGON
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS - UNAUDITED

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
GOVERNMENT ACTIVITIES:										
General Government:										
Number of municipal court citations processed	3,314	2,742	3,323	2,810	2,359	2,378	4,228	3,983	4,672	2,588
Number of land use applications processed	53	42	46	48	44	69	68	68	73	68
Number of building permits:										
Single family dwellings	50	75	72	162	151	100	267	237	305	269
Multi-family units	-	200	22	28	96	3	52	-	230	110
Valuation* (in millions)	\$ 10,287	\$ 32,936	\$ 16,378	\$ 33,181	\$ 36,505	\$ 13,094	\$ 33,146	\$ 34,811	\$ 48,281	\$ 37,932
Bank deposits (in millions)	NA	165,701	112,854	158,773	151,312	101,635	119,105	129,048	106,839	138,879
Public Safety:										
Number of arrests by patrol officers	2,730	2,948	2,670	2,404	2,342	1,928	2,332	1,861	1,371	1,238
Number of traffic violations cited	5,500	4,323	3,506	4,100	4,510	3,571	4,470	4,969	3,208	4,599
Number of offenses	14,260	15,444	14,696	15,959	15,816	14,636	14,703	13,398	13,754	13,612
BUSINESS-TYPE ACTIVITIES:										
Water:										
Number of Meters										
Single-Family Residential*	9,355	9,298	9,233	8,802	8,442	NA	NA	NA	NA	NA
Multi-Family Residential	255	248	249	453	438	NA	NA	NA	NA	NA
Commercial	322	278	264	226	219	NA	NA	NA	NA	NA
Consumption (100 ccf)										
Single-Family Residential*	1,243,543	1,132,089	1,245,552	1,284,997	1,341,896	NA	NA	NA	NA	NA
Multi-Family Residential	338,127	287,360	298,327	288,676	243,365	NA	NA	NA	NA	NA
Commercial	156,211	143,757	141,172	126,056	11,907	NA	NA	NA	NA	NA
Number of Fire Hydrants										
Public	758	758	758	758	758	NA	NA	NA	NA	NA
Private	34	34	34	34	34	NA	NA	NA	NA	NA
Sewer:										
Number of accounts	9,987	9,921	9,400	9,380	9,359	9,183	8,924	NA	NA	NA

NA - information not available

*Beginning in fiscal year 2005 duplexes were classified as single-family residential accounts. Previously, these customers were classified as multi-family residential.

**Statistics based on fiscal year
Source: City of Keizer Community Development Department
State of Oregon Department of Consumer & Business Services.

CITY OF KEIZER, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
LAST NINE FISCAL YEARS - UNAUDITED

		2007	2006	2005	2004	2003
GOVERNMENT ACTIVITIES:						
General Government:						
	Number of City owned building facilities	3	3	3	3	3
Public Safety:						
	Number of jail facilities (holding cells)	2	2	-	-	-
		2007 - 2006		2005 - 1999		
Parks and Recreation:		Number	Acres		Number	Acres
	Number of parks and acreage:					
	Neighborhood parks	15	65.5		15	65.5
	Community parks	2	27.0		2	27.0
	Regional parks	1	120.0		0	-
	Landscape areas	1	0.5		1	0.5
	Historical areas	1	0.5		1	0.5
		2007	2006	2005	2004	2003
Streets:						
	Miles of streets and alleys:					
	Streets - Lane miles	203.5	203.5	120.0	119.0	118.0
	Alleys	2	2	2	2	2
	Number of street, pedestrian and other bridges	6	6	3	3	3
	Number of traffic signals	20	20	15	15	14
BUSINESS-TYPE ACTIVITIES:						
		2007	2006	2005	2004	2003
Water System:						
	Number of reservoirs	2	2	1	1	1
	Storage capacity (in millions of gallons)	2.25	2.25	1.5	1.5	1.5
	Annual consumption (in millions of cubic feet)	196	192	185	190	186
	Miles of water line	105	105	130	129	129
	Number of pump stations	14	14	14	14	15
Sewer System:						
	Miles of storm drains	54	54	55	54	54
	Miles of sewer lines	104	104	121	120	120
	Number of lift stations	1	1	1	3	3

Source: City of Keizer Public Works Department

[illegible]

CITY OF KEIZER, OREGON

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS - UNAUDITED

Fiscal Year	Community Development	General Government	Parks	Public Safety	Public Works	Total
1997-98	3.00	11.00	1.00	38.00	11.00	64.00
1998-99	3.00	14.00	1.00	46.00	11.00	75.00
1999-00	3.50	15.00	1.00	47.00	11.00	77.50
2000-01	3.50	15.00	1.00	47.00	11.00	77.50
2001-02	3.50	15.00	1.00	47.00	11.00	77.50
2002-03	4.50	13.00	1.00	47.00	11.00	76.50
2003-04	4.50	15.00	1.00	47.00	13.00	80.50
2004-05	4.50	16.50	1.00	47.00	13.00	82.00
2005-06	5.00	16.50	1.00	47.00	15.00	84.50
2006-07	5.00	16.50	1.00	49.00	15.00	86.50

Source: City of Keizer Finance Department

CITY OF KEIZER, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS
YEAR ENDED JUNE 30, 2007

STATE OF OREGON COMPLIANCE SECTION

Oregon Administrative Rules 162-10-000 through 162-16-000 of the *Minimum Standards for Audits of Oregon Municipal Corporations*, prescribed by the Secretary of State in cooperation with the Oregon State Board of Accountancy, enumerate the financial statements, schedules, comments, and disclosures required in annual financial reports. Required comments and disclosures related to our audit of such financial statements and schedules are set forth on the following pages.

Significant Accounting Policies

The significant accounting policies followed in preparing the City's financial statements are summarized in the notes to the financial statements.

Organization and Fund Structure

The organization and fund structure of the City is documented in the notes to the financial statements.

Internal Accounting Control

We have audited the basic financial statements of the City of Keizer as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. As part of our audit, we made a study and evaluation of accounting systems and controls as required by auditing standards generally accepted in the United States of America. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the City's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control of the City taken as a whole. However, our study and evaluation disclosed no condition that we believe to be a material weakness.

Adequacy of Collateral Securing Depository Balances

ORS 295 provides that each depository, throughout the period of its possession of public fund deposits, shall maintain on deposit with its custodians, at its own expense, securities having a value not less than 25% of the certificates of participation issued by the pool manager for funds in excess of those insured by the Federal Deposit Insurance Corporation. Our review of the adequacy of collateral securing depository balances indicated the collateral was sufficient during the year ended June 30, 2007.

Indebtedness

The general obligation bonded debt of the City is in compliance with the limitation imposed by law. We noted no defaults in principal, interest, sinking fund, or redemption provisions with respect to any of the City's liabilities, and no breach of the bond agreements, at June 30, 2007.

Budget Compliance

The City has complied with Local Budget Law (ORS 294) in the preparation and adoption of its budget and tax levy for fiscal years ending June 30, 2007 and 2008, except as noted in the notes to the financial statements.

Insurance and Fidelity Bonds

We have reviewed the City's insurance and fidelity bond coverage at June 30, 2007. We ascertained that such policies appeared to be in force and in compliance with legal requirements relating to insurance and fidelity bond coverage. We are not competent by training to comment on the adequacy of the insurance policies.

CITY OF KEIZER, OREGON

AUDITOR'S COMMENTS AND DISCLOSURES REQUIRED BY STATE REGULATIONS (Continued)

YEAR ENDED JUNE 30, 2007

STATE OF OREGON COMPLIANCE SECTION (Continued)

Highway Funds

The City complied with the legal requirements, Article IX, Section 3a of the Oregon Constitution pertaining to the use of revenue from taxes on motor vehicle fuel, and the statutory requirements of ORS 294, 368 and 373 as they pertain to the use of road funds.

Programs Funded from Outside Sources

We have reviewed the City's compliance with appropriate laws, rules, and regulations pertaining to programs funded wholly or partially by other governmental agencies. The City is in compliance with the guidelines in all material respects.

Investments

Our review of deposit and investment balances indicated that the City was in compliance with ORS 294, as it pertains to investment of public funds, during the year ended June 30, 2007.

Public Contracting and Purchasing

Our review of the City's public contracting, purchasing procedures and construction of public improvement requirements (ORS 279) indicated that the City was in compliance.

Financial Reporting Requirements

We have reviewed financial reports and other data relating to programs funded wholly or partially by other governmental agencies. This data, filed with other governmental agencies, is in agreement with and supported by the accounting records.

Schedule of Accountability of Independently Elected Officials

There are no elected City officials who collect or receive funds on behalf of the City.

This report is intended for the information and use of the City Council and management of the City of Keizer and is not intended and should not be used by other than those specified parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder

December 14, 2007

APPENDIX C

Book-Entry Only System

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**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC--bracketed material may apply only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC[nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

11. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX D

Form of Continuing Disclosure Certificate

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CONTINUING DISCLOSURE CERTIFICATE

\$26,810,000

City of Keizer, Oregon

**Assessment Full Faith and Credit Bonds, Series 2008
(Keizer Station Area A Local Improvement District)**

This Continuing Disclosure Certificate (the “Certificate”) is executed and delivered by the City of Keizer, Oregon (the “Issuer”) in connection with the issuance of the Issuer’s Assessment Full Faith and Credit Bonds, Series 2008 (Keizer Station Area A Local Improvement District) (the “Obligations”).

Section 1. Purpose of Certificate. This Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Obligations and to assist the underwriter(s) of the Obligations in complying with paragraph (b)(5) of the United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. § 240.15c2-12) (the “Rule”). This Certificate constitutes the Issuer’s written undertaking for the benefit of the owners of the Obligations as required by Section (b)(5) of the Rule.

Section 2. Definitions. Unless the context otherwise requires, the terms defined in this Section shall, for purposes of this Certificate, have the meanings herein specified.

“Beneficial Owner” means any person who has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Obligations, including persons holding Obligations through nominees or depositories.

“Commission” means the United States Securities and Exchange Commission.

“MSRB” means the United States Municipal Securities Rulemaking Board or any successor to its functions.

“NRMSIR” means a nationally recognized municipal securities information repository.

“Official Statement” means the final official statement for the Obligations dated May 7, 2008.

“Rule” means the Commission’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

“SID” means a state information depository for the State of Oregon (if one is created).

Section 3. Financial Information. The Issuer agrees to provide or cause to be provided to each NRMSIR and to the SID, if any, in each case as designated by the Commission in accordance with the Rule:

1. The Issuer's latest publicly available annual financial statements prepared in accordance with the Oregon Local Budget Law (or any successor statute) and in accordance with generally accepted accounting principles so prescribed by the Governmental Accounting Standards Board (or its successors) and generally of the type provided in Appendix B to the official statement for the Obligations; and,

2. For properties that have unpaid assessments in the Area A local improvement district, information regarding the amount of the outstanding assessments and the most recent real market values listed in the county tax records as of the end of the most recently completed fiscal year, substantially as shown in the table in the official statement for the Obligations that is titled "Area A Local Improvement District Summary of Assessment Contracts."

Section 4. Timing. The information described in the preceding paragraph shall be provided on or before nine months after the end of the Issuer's fiscal year, commencing with information for fiscal year 2007-2008. The information described in the preceding paragraph will be provided in the form of audited financial statements if they are then available, and otherwise will be provided in the form of unaudited financial statements. The Issuer's current fiscal year ends June 30. The Issuer may adjust this fiscal year by providing written notice of the change of fiscal year to each then existing NRMSIR and the SID, if any. In lieu of providing this annual financial information separately, the Issuer may cross-reference to other documents provided to the NRMSIR, the SID or to the Commission. If the cross-referenced document is a final official statement within the meaning of the Rule, it shall be available from the MSRB.

The Issuer agrees to provide or cause to be provided, in a timely manner, to each NRMSIR or to the MSRB, and to the appropriate SID, if any, notice of its failure to provide the annual financial information described in Section 3 on or prior to the date set forth in the preceding paragraph.

If not provided as part of the annual financial information discussed above, the Issuer shall provide the Issuer's audited annual financial statement prepared in accordance with the Oregon Local Budget Law (or any successor statute) when and if available to each then existing NRMSIR and the SID, if any.

Section 5. Material Events. The Issuer agrees to provide or cause to be provided, in a timely manner, to the SID, if any, and to each NRMSIR or to the MSRB notice of the occurrence of any of the following events with respect to the Obligations, if material:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserves for the Obligations reflecting financial difficulties;
4. unscheduled draws on credit enhancements for the Obligations reflecting financial difficulties;

5. substitution of credit or liquidity providers or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Obligations;
7. modifications to the rights of Obligation owners;
8. bond calls;
9. defeasance of the Obligations;
10. release, substitution or sale of property securing repayment of the Obligations; and
11. rating changes.

Section 6. Termination/Modification. The Issuer's obligations to provide notices of material events shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Obligations. This Certificate, or any provision hereof, shall be null and void if the Issuer (a) obtains an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Certificate, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Obligations; and (b) notifies each then existing NRMSIR and the SID, if any, of such opinion and the cancellation of this Certificate.

Notwithstanding any other provision of this Certificate, the Issuer may amend this Certificate, and any provision of this Certificate may be waived, provided that the following conditions are satisfied:

A. If the amendment or waiver relates to the provisions of Sections 3 or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer with respect to the Obligations, or the type of business conducted;

B. The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Obligations, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

C. The amendment or waiver either (i) is approved by the owners of the Obligations or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the owners or Beneficial Owners of the Obligations.

In the event of any amendment or waiver of a provision of this Certificate, the Issuer shall describe such amendment in the next annual report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the

accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a material event under Section 5 hereof, and (ii) the annual report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 7. Obligation Owner's Remedies Under This Certificate. The right of any Obligation Owner or Beneficial Owner of Obligations to enforce the provisions of this Certificate shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder, and any failure by the Issuer to comply with the provisions of this undertaking shall not be an event of default with respect to the Obligations hereunder.

Section 8. DisclosureUSA. Any filing required to be made with any NRMSIR or SID under this Certificate may be made by transmitting such filing solely to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

Section 9. Choice of Law. This Certificate shall be governed by and construed in accordance with the laws of the State of Oregon, provided that to the extent this Certificate addresses matters of federal securities laws, including the Rule, this Certificate shall be construed in accordance with such federal securities laws and official interpretations thereof.

Dated as of the 21st day of May, 2008.

City of Keizer, Oregon

City Official

APPENDIX E

Form of the Declaration

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BOND DECLARATION

City of Keizer, Oregon

Assessment Full Faith and Credit Bonds

**(Keizer Station Area A Local Improvement District)
Series 2008**

Executed on behalf of the City of Keizer, Oregon

as of the 21st day of May, 2008

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BOND DECLARATION

THIS BOND DECLARATION is executed as of May 21, 2008, on behalf of the City of Keizer, Oregon (the “City”) by its City Official pursuant to City Resolution R2008-1857 and ORS Chapters 223 and 287A, to establish the terms under which the City’s Assessment Full Faith and Credit Bonds (Keizer Station Area A Local Improvement District) are issued.

Section 1. Findings.

- (1) The City is authorized by ORS Chapters 223 and 287A to issue bonds that are secured by the full faith and credit of the City and by installment payments of assessments imposed by the City in the Keizer Station Area A local improvement district.
- (2) The City Council has authorized execution of this Declaration by City Resolution R2008-1857, and executes this Declaration to memorialize the terms of the City’s Assessment Full Faith and Credit Bonds (Keizer Station Area A Local Improvement District).

Section 2. Definitions.

Unless the context clearly requires otherwise, the following terms shall have the following meanings:

“2008 Bond Debt Service Account” means the account described in Section 5(1). The City shall account for amounts in the 2008 Bond Debt Service Account separately from other funds of the City, but may commingle amounts in the 2008 Bond Debt Service Account with other funds or accounts for investment purposes.

“2008 Bond Reserve Account” means the account described in Section 5(3). The City shall account for amounts in the 2008 Bond Reserve Account separately from other funds of the City, but may commingle amounts in the 2008 Bond Reserve Account with other funds or accounts for investment purposes.

“2008 Bonds” means the City’s Assessment Full Faith and Credit Bonds (Keizer Station Area A Local Improvement District), Series 2008, that are described in Section 3 of this Bond Declaration.

“Assessment Payments” means all amounts required to be paid to the City under all contracts for installment payment of assessments imposed for the Keizer Station Area A Local Improvement District, the net proceeds of foreclosing any such obligations, and interest earnings on those amounts and proceeds.

“BEO” means “book-entry-only” and refers to a system for clearance and settlement of securities transactions through electronic book-entry changes, which eliminates the need for physical movement of securities.

“Bond Declaration” means this Bond Declaration, including any amendments made in accordance with Section 8 of this Bond Declaration.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the Paying Agent or offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“City Official” means the City Manager or the Finance Director or the person designated by the City Manager or Finance Director to act on behalf of the City under this Bond Declaration.

“City” means the City of Keizer, Oregon.

“Code” means the Internal Revenue Code of 1986, as amended.

“Event of Default” refers to an Event of Default listed in Section 11(1) of this Bond Declaration.

“Government Obligations” means direct noncallable obligations of the United States, or obligations the principal of and interest on which are fully and unconditionally guaranteed by the United States.

“Outstanding” refers to all 2008 Bonds authorized and delivered pursuant to this Bond Declaration except 2008 Bonds which have been paid, canceled, or defeased pursuant to Section 10 of this Bond Declaration, and 2008 Bonds which have matured but have not been presented for payment for the payment of which adequate money has been transferred to the Paying Agent.

“Owner” means the person shown on the 2008 Bond register maintained by the Paying Agent as the registered owner of a 2008 Bond.

“Paying Agent” means the registrar and paying agent for the 2008 Bonds, which, at the time of execution of this Bond Declaration, is U. S. Bank National Association in Portland, Oregon.

“Permitted Investments” means any investments that the City is authorized to make under the laws of the State of Oregon.

“Qualified Consultant” means an independent auditor, an independent financial advisor, or similar independent professional consultant of which the City determines has experience and expertise in the area for which the consultant is retained by the City to provide services under this Ordinance or any Supplemental Ordinance.

“Reserve Requirement” means the lesser of: \$2,681,000 or the greatest amount of principal, interest and premium, if any, required to be paid in any Fiscal Year on the 2008 Bonds.

“Valuation Date” means June 30 of each year (or the first Business Day thereafter, if June 30 is not a Business Day) and any date on which amounts are withdrawn from the 2008 Bond Reserve Account.

Section 3. The 2008 Bonds.

(1) Pursuant to and ORS Chapters 223 and 287A and City Resolution R2008-1857, the City has sold and issued its Assessment Full Faith and Credit Bonds (Keizer Station Area A Local Improvement District), in accordance with this Bond Declaration and in a principal amount of \$26,810,000. The 2008 Bonds are dated May 21, 2008, bear interest at a rate of 5.20% per annum, which is calculated on a 30/360 day basis and which is payable on June 1 and December 1 of each year, commencing December 1, 2008. The Bonds shall be issued in denominations of \$5,000 or integral multiples.

(2) The 2008 Bonds are subject to redemption prior to their stated maturity dates as follows:

(A) Redemption from Assessment Payments: The 2008 Bonds are subject to redemption at the option of the City on any interest payment date beginning June 1, 2009 at a price of par plus interest accrued to the date fixed for redemption, but solely from amounts the City is required to deposit into the 2008 Bond Debt Service Account. Any such redemption will be by lot in a manner selected by The Depository Trust Company ("DTC"), New York, New York.

(B) Optional Redemption: The 2008 Bonds are subject to redemption at the option of the City from any lawfully available moneys of the City on or after June 1, 2018, in whole or in part on any date at the price of par, plus accrued interest, if any, to the date of redemption.

(3) The 2008 Bond proceeds will be used to finance or refinance costs of the local improvements for which the City has imposed assessments in the Keizer Station Area A local improvement district.

(4) The City reserves the right to purchase 2008 Bonds in the open market.

Section 4. Security for 2008 Bonds.

(1) The 2008 Bonds shall be payable primarily from amounts deposited in the Keizer Station LID Fund. Except as provided in Section 5(5), the City shall deposit all Assessment Payments into the 2008 Bond Debt Service Account.

(2) The 2008 Bonds shall be secured by the 2008 Bond Reserve Account as provided in Section 5(3).

(3) The City hereby pledges the Assessment Payments and the amounts deposited in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account to pay the 2008 Bonds. The liens of these pledges shall be valid, binding and fully perfected from the date of issuance of the 2008 Bonds. The amounts so pledged shall be immediately subject to the lien without the physical delivery thereof, the filing of any notice or any further act. The lien shall be valid, binding and fully perfected against all persons having claims of any kind against the City or the property assessed whether in tort, contract or otherwise, and irrespective of whether such persons have notice of the lien. The City shall not grant other liens on the Assessment Payments, the

amounts deposited in the 2008 Bond Debt Service Account or the 2008 Bond Reserve Account except in connection with refunding bonds described in Section 6.

(4) The City hereby pledges its full faith and credit to pay the 2008 Bonds. The City shall pay the 2008 Bonds from any of its lawfully available fund to the extent that amounts in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account are not sufficient to pay the 2008 Bonds.

Section 5. Funds and Accounts

(1) The City shall create the Keizer Station LID Fund and shall maintain it as long as the 2008 Bonds are Outstanding. The City shall create and maintain the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account in the Keizer Station LID Fund as long as the 2008 Bonds are Outstanding.

(2) The City shall deposit all Assessment Payments into the 2008 Bond Debt Service Account. So long as the 2008 Bonds are Outstanding, the City shall use amounts deposited in the 2008 Bond Debt Service Account only to pay 2008 Bond principal, interest and any redemption premium, and any costs of managing and collecting the Assessment Payments and administering and paying the 2008 Bonds.

(3) The City shall deposit an amount equal to the Reserve Requirement in the 2008 Bond Reserve Account at closing of the 2008 Bonds, and shall maintain a balance in the 2008 Bond Reserve Account that is equal to the Reserve Requirement, but solely from deposits of Assessment Payments as provided in Section 5(5). Amounts credited to the 2008 Bond Reserve Account shall be used only to pay principal and interest on the 2008 Bonds, and, except as provided in Section 5(7)(B), only if amounts in the 2008 Bond Debt Service Account are not sufficient to make those principal and interest payments.

(4) If, on any 2008 Bond payment date, the amounts on deposit in the 2008 Bond Debt Service Account are not sufficient to pay the principal of, premium (if any) and interest that is then due on the 2008 Bonds, the City shall transfer an amount equal to the deficiency from the 2008 Bond Reserve Account to the 2008 Bond Debt Service Account to pay the 2008 Bonds.

(5) If the value of the investments in the 2008 Bond Reserve Account exceeds the Reserve Requirement, the City shall transfer the excess to the 2008 Bond Debt Service Account and use it to pay or redeem 2008 Bonds.

(6) The City shall value the amount in the 2008 Bond Reserve Account on each Valuation Date. If the amount in the 2008 Bond Reserve Account is less than the Reserve Requirement on a Valuation Date, then the City shall deposit all Assessment Payments it receives after that Valuation Date into the 2008 Bond Reserve Account until the 2008 Bond Reserve Account contains a balance that is equal to the Reserve Requirement.

(7) Moneys in the 2008 Bond Reserve Account may be invested only in Permitted Investments that mature no later than the final maturity date of the Series of Bonds for which the subaccount was created. Earnings on the 2008 Bond Reserve Account shall be credited to the

2008 Bond Reserve Account whenever the balance in that account is less than the Reserve Requirement. Otherwise earnings shall be credited to the 2008 Bond Debt Service Account.

- (A) Permitted Investments in the 2008 Bond Reserve Account shall be valued on each Valuation Date in the following manner:
- (i) Demand deposits, deposits in the Oregon Short Term Fund and investments which mature in two years or less after the Valuation Date shall be valued at their face amount, plus accrued interest;
 - (ii) Investments which mature more than two years after the Valuation Date and for which bid and asked prices are published on a regular basis in the Wall Street Journal (or, if not there, then in the New York Times) shall be valued at the average of their most recently published bid and asked prices;
 - (iii) Investments which mature more than two years after the Valuation Date and for which the bid and asked prices are not published on a regular basis in the Wall Street Journal or the New York Times shall be valued at the average bid price quoted by any two nationally recognized government securities dealers (selected by the City in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service;
 - (iv) Certificates of deposit and bankers acceptances which mature more than two years after the Valuation Date shall be valued at their face amount, plus accrued interest; and
 - (v) Any investment which is not specified above and which matures more than two years after the Valuation Date shall be valued at its fair market value as reasonably estimated by the City.
- (B) All amounts on deposit in the 2008 Bond Reserve Account shall be applied to the final payments (whether at maturity, by prior redemption or by means of a defeasance as provided in Section 12) of the 2008 Bonds.
- (8) This Bond Declaration shall constitute a contract with the Owners.

Section 6. Superior, Parity and Subordinate Obligations.

The City may issue obligations to refund the 2008 Bonds that have a lien on the Assessment Payments and amounts in the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account that is on a parity with the 2008 Bonds. The City covenants not to grant any other liens on the Assessment Payments or amounts credited to the 2008 Bond Debt Service Account or the 2008 Bond Reserve Account. The City may pledge its full faith and credit to other borrowings without limitation.

Section 7. Book Entry System.

The 2008 Bonds shall be initially issued in BEO form and shall be governed by this Section 7. While the 2008 Bonds are in BEO form no physical 2008 Bonds shall be provided to the Owners. An official of the City has executed and delivered a blanket letter of representations to DTC. While the 2008 Bonds are in BEO form, registration and transfer of beneficial interests in the 2008 Bonds shall be governed by that letter and the operational arrangements of DTC, as they may be amended from time to time, as provided in the blanket issuer letter of representations. So long as the 2008 Bonds are in BEO form:

- (1) DTC shall be treated as the Owner for all purposes, including payment and the giving of notices to the Owners of the 2008 Bonds. 2008 Bond payments shall be made, and notices shall be given, to DTC in accordance with the letter of representations. Any failure of DTC to advise any of its participants, or of any participant to notify the beneficial owner, of any such notice and its content or effect will not affect the validity of the redemption of the 2008 Bonds called for redemption or of any other action premised on such notice.
- (2) The City may discontinue maintaining the 2008 Bonds in the BEO form at any time. The City shall discontinue maintaining the 2008 Bonds in BEO form if DTC determines not to continue to act as securities depository for the 2008 Bonds, or fails to perform satisfactorily as depository, and a satisfactory substitute depository cannot reasonably be found.
- (3) If the City discontinues maintaining the 2008 Bonds in book-entry only form, the City shall cause the Paying Agent to authenticate and deliver replacement 2008 Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees; thereafter the provisions set forth in Section 8 below, regarding registration, transfer and exchange of 2008 Bonds shall apply.
- (4) The City and the Paying Agent shall have no responsibility or obligation to any participant or correspondent of DTC or to any beneficial owner on behalf of which such participants or correspondents act as agent for the beneficial owner with respect to:
 - (A) the accuracy of the records of DTC, the nominee or any participant or correspondent with respect to any beneficial owner's interest in the 2008 Bonds;
 - (B) the delivery to any participant or correspondent or any other person of any notice with respect to the 2008 Bonds, including any notice of prepayment;
 - (C) the selection by DTC of the beneficial interest in 2008 Bonds to be redeemed prior to maturity; or
 - (D) the payment to any participant, correspondent, or any other person other than the registered owner of the 2008 Bonds as shown in the registration books maintained by the Paying Agent, of any amount with respect to principal, any premium or interest on the 2008 Bonds.

- (E) The provisions of this Section 7 may be modified without the consent of the beneficial owners in order to conform this Section to the standard practices of DTC or any successor depository for 2008 Bonds issued in book-entry only form.

Section 8. Authentication, Registration and Transfer.

- (1) No 2008 Bond shall be entitled to any right or benefit under this Bond Declaration unless it shall have been authenticated by an authorized officer of the Paying Agent. The Paying Agent shall authenticate all 2008 Bonds to be delivered at the closing of the 2008 Bonds, and shall additionally authenticate all 2008 Bonds properly surrendered for exchange or transfer pursuant to this 2008 Bond Declaration.
- (2) The ownership of all 2008 Bonds shall be entered in the 2008 Bond register maintained by the Paying Agent, and the City and the Paying Agent may treat the person listed as owner in the 2008 Bond register as the owner of the 2008 Bond for all purposes.
- (3) While the 2008 Bonds are in book-entry only form, the Paying Agent shall transfer 2008 Bond principal and interest payments in the manner required by DTC.
- (4) If the 2008 Bonds cease to be in book-entry only form, the Paying Agent shall mail each interest payment on the interest payment date (or the next Business Day if the payment date is not a Business Day) to the name and address of the Owners as they appear on the 2008 Bond register as of the record date for the 2008 Bonds. If payment is so mailed, neither the City nor the Paying Agent shall have any further liability to any party for such payment.
- (5) 2008 Bonds may be exchanged for an equal principal amount of 2008 Bonds of the same maturity which are in different denominations, and 2008 Bonds may be transferred to other Owners if the Owner submits the following to the Paying Agent:
- (A) written instructions for exchange or transfer satisfactory to the Paying Agent, signed by the Owner or attorney in fact and guaranteed or witnessed in a manner satisfactory to the Paying Agent, and
 - (B) the 2008 Bonds to be exchanged or transferred.
- (6) The Paying Agent shall not be required to exchange or transfer any 2008 Bonds submitted to it during any period beginning with a record date and ending on the next following payment date; however, such 2008 Bonds shall be exchanged or transferred promptly following that payment date.
- (7) The Paying Agent shall note the date of authentication on each 2008 Bond. The date of authentication shall be the date on which the Owner's name is listed on the 2008 Bond register.
- (8) For purposes of this Section 8, 2008 Bonds shall be considered submitted to the Paying Agent on the date the Paying Agent actually receives the materials described in Section 8(5), above.

(9) The City may alter these provisions regarding registration and transfer by mailing notification of the altered provisions to all Owners. The altered provisions shall take effect on the date stated in the notice, which shall not be earlier than 45 days after notice is mailed.

Section 9. Notice of Redemption.

(1) Not Book Entry Form. For any Bonds which are not in book entry form and, unless waived by the Bondowner of such an Bond, official notice of any redemption shall be given by the Paying Agent on behalf of the City by mailing a copy of an official redemption notice by registered or certified mail at least 30 days and not more than 60 days prior to the date fixed for redemption to the registered owner of the Bond or Bonds to be redeemed at the address shown on the Bond register or at such other address as is furnished in writing by such registered owner to the Paying Agent. Failure to give such notice, or a defect therein, shall not affect the validity of the redemption.

(2) Book Entry Form. For any Bonds which are in book entry form the Paying Agent shall notify DTC of any redemption of the Bonds in accordance with DTC's rules not less than 30 days prior to the date fixed for redemption of the Bonds to be redeemed in the manner required in the City's Letter of Representations to DTC. No other notice shall be required.

(A) Contents of Notice. All official notices of redemption shall be dated and shall state:

- (i) the redemption date,
- (ii) the redemption price, including interest to the date fixed for redemption,
- (iii) if less than all outstanding Bonds are to be redeemed, the CUSIP number or other information necessary to identify the particular Bonds that are to be redeemed (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed,
- (iv) except for calls described in Section 9(3), below, that on the redemption date the redemption price, including interest to the date fixed for redemption, will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and
- (v) if the Bonds are not in book entry form, the place where such Bonds are to be surrendered for payment of the redemption price, including interest to the date fixed for redemption, which place of payment shall be an office of the Paying Agent.

(B) Except for calls described in Section 9(3), below, official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest.

(3) Conditional Notice. Any notice of optional redemption to the Paying Agent or to the Bondowners pursuant to this Section 9 may state that the optional redemption is conditional upon receipt by the Paying Agent of moneys sufficient to pay the redemption price of such

Bonds or upon the satisfaction of any other condition, and/or that such notice may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such redemption price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission or of the failure of any such condition shall be given by the Paying Agent to affected Bondowners of Bonds as promptly as practicable upon the failure of such condition or the occurrence of such other event.

Section 10. Amendment of Bond Declaration.

- (1) The City may amend this Bond Declaration without the consent of any Owner for any one or more of the following purposes:
 - (A) To cure any ambiguity or formal defect or omission in this Bond Declaration;
 - (B) To add to the covenants and agreements of the City in this Bond Declaration other covenants and agreements to be observed by the City which are not contrary to or inconsistent with this Bond Declaration as theretofore in effect;
 - (C) To confirm, as further assurance, any security interest or pledge created under this Bond Declaration or any Supplemental Bond Declaration;
 - (D) To make any change which, in the reasonable judgment of the City, does not materially and adversely affect the rights of the Owners.
- (2) This Bond Declaration may be amended for any other purpose only upon consent of Owners representing not less than fifty-one percent (51%) in aggregate principal amount of the adversely affected 2008 Bonds then Outstanding. However, no amendment shall be valid which:
 - (A) Extends the maturity of any 2008 Bonds, reduces the rate of interest upon any 2008 Bonds, extends the time of payment of interest on any 2008 Bonds, reduces the amount of principal payable on any 2008 Bonds, or reduces any premium payable on any 2008 Bonds, without the consent of the affected Owner; or
 - (B) Reduces the percent of Owners required to approve amendments to this Bond Declaration.

Section 11. Default and Remedies.

- (1) The occurrence of one or more of the following shall constitute an Event of Default under this Bond Declaration:
 - (A) Failure by the City to pay 2008 Bond principal, interest or premium when due (whether at maturity, or upon redemption after a 2008 Bond has been properly called for redemption);
 - (B) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed for the benefit of Owners of 2008 Bonds, for a period of 60 days after written notice to the City by the Owners of ten percent or more of the principal amount of 2008 Bonds then Outstanding specifying such failure and requesting that it be remedied; provided however, that if the failure stated in the notice cannot be

corrected within such 60 day period, it shall not constitute an Event of Default so long as corrective action is instituted by the City within the 60 day period and diligently pursued, and the default is corrected as promptly as practicable after the written notice referred to in this Section 11(1)(B); or,

- (C) The City is adjudged insolvent by a court of competent jurisdiction, admits in writing its inability to pay its debts generally as they become due, files a petition in bankruptcy, or consents to the appointment of a receiver for the installment payments.
- (2) The Owners of ten percent or more of the principal amount of 2008 Bonds then Outstanding may waive any Event of Default and its consequences, except an Event of Default described in Section 11(1)(A).
- (3) Upon the occurrence and continuance of any Event of Default hereunder the Owners of ten percent or more of the principal amount of 2008 Bonds then Outstanding may take whatever action may appear necessary or desirable to enforce or to protect any of the rights of the Owners of 2008 Bonds, either at law or in equity or in bankruptcy or otherwise, whether for the specific enforcement of any covenant or agreement contained in this Bond Declaration or in aid of the exercise of any power granted in this Bond Declaration or for the enforcement of any other legal or equitable right vested in the Owners of 2008 Bonds by this Bond Declaration or by law. However, the 2008 Bonds shall not be subject to acceleration.
- (4) No remedy in this Bond Declaration conferred upon or reserved to Owners of 2008 Bonds is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Bond Declaration or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. To entitle the Owners of 2008 Bonds to exercise any remedy reserved to them, it shall not be necessary to give any notice other than such notice as may be required by this Bond Declaration or by law.

Section 12. Defeasance.

The City shall be obligated to pay 2008 Bonds which are defeased pursuant to this Section solely from the money and Government Obligations deposited with an escrow agent or independent trustee, and the City shall have no further obligation to pay the defeased 2008 Bonds from any source except the amounts deposited in the escrow. 2008 Bonds shall be deemed defeased if the City:

- (1) irrevocably deposits money or noncallable Government Obligations in escrow with an independent trustee or escrow agent which are calculated to be sufficient for the payment of the 2008 Bonds which are to be defeased without reinvestment; and
- (2) files with the escrow agent or trustee a verification from an independent, certified public accountant to the effect that calculation, described above, is correct; and

- (3) files with the escrow agent or trustee an opinion of nationally recognized bond counsel that the proposed defeasance will not cause the interest component of the 2008 Bonds to be includable in gross income under the Code.

Section 13. Form.

The 2008 Bonds shall be issued in substantially the form attached to hereto as Appendix A, with any changes that are approved by the City Official. The 2008 Bonds shall be executed on behalf of the City with the facsimile signatures of the Mayor and Finance Director.

Section 14. Rules of Construction.

In determining the meaning of provisions of this Bond Declaration, the following rules shall apply unless the context clearly requires application of a different meaning:

- (1) References to section numbers shall be construed as references to sections of this Bond Declaration.
- (2) References to one gender shall include all genders.
- (3) References to the singular shall include the plural, and references to the plural shall include the singular.

Dated as of the 21st day of May, 2008.

City of Keizer, Oregon

By: _____
Susan Gahlsdorf, Finance Director,
“City Official”

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Appendix A

No. R-«BondNumber»

\$«PrincipalAmtNumber»

United States of America
State of Oregon
Marion County
City of Keizer

Assessment Full Faith and Credit Bond, Series 2008
(Keizer Station Area A Local Improvement District)

Dated Date: ____, 2008

Interest Rate Per Annum: «CouponRate»%

Maturity Date: ____, «MaturityYear»

CUSIP Number: «CUSIPNumbr»

Registered Owner: -----Cede & Co.-----

Principal Amount: -----«PrincipalAmtSpelled» Dollars-----

The City of Keizer, Oregon (the "City"), for value received, acknowledges itself indebted and hereby promises to pay to the Registered Owner hereof, or registered assigns, the Principal Amount indicated above on the Maturity Date indicated above together with interest thereon from the date hereof at the Interest Rate Per Annum indicated above, computed on the basis of a 360-day year of twelve 30-day months. Interest is payable semiannually on the first day of ____ and the first day of ____ in each year until maturity or prior redemption, commencing _____. Payment of each installment of principal or interest shall be made to the Registered Owner hereof whose name appears on the registration books of the City maintained by the City's paying agent and registrar, which is currently U.S. Bank National Association, in Keizer, Oregon (the "Paying Agent"), as of the close of business on the fifteenth day of the calendar month immediately preceding the applicable interest payment date. For so long as this Bond is subject to a book-entry-only system, principal and interest payments shall be paid on each payment date to the nominee of the securities depository for the Bonds. On the date of issuance of this Bond, the securities depository for the Bonds is The Depository Trust Company, New York, New York, and Cede & Co. is the nominee of The Depository Trust Company. Such payments shall be made payable to the order of "Cede & Co."

This Bond is one of a duly authorized series of bonds of the City aggregating \$_____ in principal amount designated as Assessment Full Faith and Credit Bonds (Keizer Station Area A Local Improvement District), Series 2008 (the "Bonds"). The Bonds are issued for the purpose of financing costs of public improvements which property owners are obligated to pay to the City in installments (the "Assessment Payments"). The Bonds are authorized by City Resolution No. ____ and ORS Chapters 223 and 287A, in full and strict accordance and compliance with all of the provisions of the Constitution and Statutes of the State of Oregon and the Charter of the City.

The Bonds constitute valid and legally binding obligations of the City. The full faith and credit of the City are pledged for the punctual payment of the principal of and interest on the Bonds. The City has also pledged the Assessment Payments and amounts credited to the 2008 Bond Debt Service Account and the 2008 Bond Reserve Account to secure the Bonds. The City is not authorized to levy any additional taxes to pay the Bonds. The Bonds do not constitute a debt or indebtedness of Marion County, the State of Oregon, or any political subdivision thereof other than the City.

The Bonds are initially issued in book-entry-only form with no certificates provided to the beneficial owners of the Bonds. The Depository Trust Company and its participants will maintain records of ownership of beneficial interests in the Bonds. Should the book-entry only security system be discontinued, the City shall cause the Paying Agent to authenticate and deliver replacement Bonds in fully registered form in authorized denominations in the names of the beneficial owners or their nominees, as provided in the Ordinances.

The Bonds shall mature and be redeemed as described in the final Official Statement for the Bonds dated May 7, 2008, and in the Bond Declaration dated as of May 21, 2008.

Any exchange or transfer of this Bond must be registered, as provided in the Ordinances, upon the Bond register kept for that purpose by the Paying Agent. The exchange or transfer of this Bond may be registered only by surrendering it, together with a written instrument of exchange or transfer which is satisfactory to the Paying Agent and which is executed by the registered owner or duly authorized attorney. Upon registration, a new registered Bond or Bonds, of the same maturity and in the same aggregate principal amount, shall be issued to the transferee as provided in the Ordinances. The City and the Paying Agent may treat the person in whose name this Bond is registered on the Bond register as its absolute owner for all purposes, as provided in the Ordinances.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC") to Issuer or its agent for registration of transfer, exchange or payment, and any Bond issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entry as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond shall remain in the Paying Agent's custody subject to the provisions of the FAST Balance Certificate Agreement currently in effect between the Registrar and The Depository Trust Company.

IT IS HEREBY CERTIFIED, RECITED, AND DECLARED that all conditions, acts, and things required to exist, to happen, and to be performed precedent to and in the issuance of this Bond have existed, have happened, and have been performed in due time, form, and manner as required by the Constitution and Statutes of the State of Oregon; and that the issue of which this Bond is a part, and all other obligations of the City, are within every debt limitation and other limit prescribed by such Constitution and Statutes and City Charter.

IN WITNESS WHEREOF, the Council of the City of Keizer, Oregon, by ordinances duly enacted, has caused this Bond to be signed by facsimile signature of its Mayor and countersigned by facsimile signature of its Finance Director, all as of the date first above written.

City of Keizer, Oregon

Lore Christopher, Mayor

Susan Gahlsdorf, Finance Director

THIS BOND SHALL NOT BE VALID UNLESS PROPERLY AUTHENTICATED BY THE PAYING AGENT IN THE SPACE INDICATED BELOW.

CERTIFICATE OF AUTHENTICATION

This Bond is one of a series of \$26,810,000 aggregate principal amount of City of Keizer, Oregon, Assessment Full Faith and Credit Bonds, Series 2008 (Keizer Station Area A Local Improvement District), issued as described herein.

Date of authentication: May 21, 2008.

_____, as Paying Agent

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned sells, assigns and transfers unto _____

(Please insert social security or other identifying number of assignee)

this Bond and does hereby irrevocably constitute and appoint _____
as attorney to transfer this Bond on the books kept for registration thereof with the full power of substitution in the
premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears
upon the face of this Bond in every particular, without alteration or enlargement or any change whatever.

NOTICE: Signature(s) must be guaranteed by a member of
the New York Stock Exchange or a commercial bank or trust
company

Signature Guaranteed

(Bank, Trust Company or Brokerage Firm)

Authorized Officer

The following abbreviations, when used in the inscription on the face of this Bond, shall be
construed as though they were written out in full according to applicable laws or regulations.

TEN COM -- tenants in common

TEN ENT -- as tenants by the entireties

JT TEN -- as joint tenants with right of survivorship
and not as tenants in common

OREGON CUSTODIANS use the following

_____ CUST UL OREG _____ MIN
as custodian for (name of minor)

OR UNIF TRANS MIN ACT

under the Oregon Uniform Transfer to Minors Act

Additional abbreviations may also be used though not in the list above.